ANNUAL REPORT 2003

ROGERS SUGAR LTD.

ROGERS SUGAR INCOME FUND

LANTIC SUGAR LIMITED

QUARTERLY DISTRIBUTIONS

ROGERS SUGAR INCOME FUND

(In thousands of dollars, except amounts per unit)	ACTUAL 2003 $	ACTUAL 2003 Per unit	ACTUAL 2002 $	ACTUAL 2002 Per unit
First quarter	**9,268**	**0.1200**	4,152	0.1000
Second quarter	**10,639**	**0.1200**	7,702	0.1000
Third quarter	**10,645**	**0.1200**	8,860	0.1150
Fourth quarter	**10,654**	**0.1200**	9,247	0.1200
Total	**$41,206**	**$0.4800**	$29,961	$0.4350

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ROGERS SUGAR INCOME FUND

MESSAGE TO UNITHOLDERS

I am pleased to report that fiscal 2003 was positive in many aspects for Rogers Sugar Income Fund (the "Fund"). In what was a particularly active year, the Fund raised additional capital, purchased additional subordinated notes, had a change in its largest unitholder and announced that cash distributions would be made on a monthly rather than quarterly basis in fiscal 2004.

The Fund had a substantial increase in earned income, as the Fund earned $49.2 million in interest compared to $33.4 million the previous year. The increase in interest income was directly related to the full year results of Lantic Sugar Limited ("Lantic") and to the subordinated notes purchased during fiscal 2003 and 2002. In total, the Fund distributed $41.2 million (48 cents per unit) to unitholders during the year compared to $30.0 million (43.5 cents per unit) in fiscal 2002.

In February 2003, the Fund, through a public offering, issued an additional 11,400,000 units. The net proceeds of approximately $47.2 million, along with available cash, were used to purchase additional subordinated notes from Lantic of $48.5 million. This allowed Lantic to complete the refinancing of its term loans at favourable pricing, and for the Fund to increase its interest revenue.

In June 2003, the Fund's largest unitholder, Onex Corporation ("Onex"), sold its holdings of approximately 27.2 million trust units, which represented over 30% of all outstanding trust units, to a syndicate of underwriters. In conjunction with this transaction, Lantic Capital Inc. was sold by Onex to Belkin Enterprises Ltd. ("Belkin"). Belkin, which holds approximately 11% of the outstanding units of the Fund, became the largest unitholder and assumed the right to elect a majority of the directors of the Fund's operating subsidiaries, Lantic and Rogers Sugar Ltd. ("Rogers"). The Belkin family has had an extensive and long-term association with the sugar industry and their involvement in the Fund's operating subsidiaries brings valued experience and lasting stability.

In August 2003, the Fund announced the termination of its Dividend Reinvestment Program ("DRIP"). With trust units trading at prices reflecting historically low valuation parameters, the DRIP became an expensive method of raising capital. In addition, both Lantic and Rogers have available cash and authorized unused lines of credit at competitive interest rates. For these reasons, the DRIP was terminated.

In September 2003, the Fund announced that it would commence monthly distributions as of October 2003. By doing so, we are joining the majority of income trusts, which distribute on a monthly basis. Monthly distributions, as compared to quarterly distributions, increase the value of cash flows to unitholders. The Fund's distributions are dependent upon Rogers' and Lantic's earnings and cash flows. In fiscal 2004, we anticipate that the operating companies' results will be somewhat negatively impacted by higher energy prices and increased competition. Additional working capital reserves will be utilized to protect Lantic's and Rogers' market shares against current and new competition and for investments in high return capital projects. Consequently, the October 2003 monthly distribution was announced at 3.34 cents per trust unit.

Lastly, on behalf of all the Trustees, I would like to thank Mr. David Dingwall and Mr. Seth Mersky, both of whom resigned from the Board of Trustees this year. Mr. Dingwall had been a Trustee since the inception of the Fund in October 1997, and had been Chairman until his resignation in March 2003. Mr. Mersky joined the Board of Trustees in March 2002 as the nominee of Onex and resigned in September 2003 after Onex disposed of its holdings in the Fund.

The Fund Governance and Nominating Committee welcomes the appointments, in October 2003, of Mr. Michel Desbiens and Sir Neil Shaw as Trustees of the Fund. We are fortunate to be able to attract individuals of such a high calibre. Their combined vast experience provides important added knowledge and will definitely help guide the Fund to achieve its goals and objectives.

On behalf of the Trustees,

Edward Y. Baker
Chairman

ROGERS SUGAR INCOME FUND

MANAGEMENT'S DISCUSSION AND ANALYSIS

Rogers Sugar Income Fund (the "Fund"), an open ended, limited purpose trust established under the laws of the Province of Ontario, was created in October 1997 to hold all of the common shares and subordinated notes of Rogers Sugar Ltd. ("Rogers"). In fiscal 2002, the Fund acquired Lantic Sugar Limited. ("Lantic") in exchange for 35.5 million trust units.

During fiscal 2003, the Fund issued an additional 11.4 million trust units through a public offering and an additional 320,590 units were issued under the Dividend Reinvestment Program ("DRIP"). Effective August 20, 2003, the Fund terminated the DRIP. At September 30, 2003, a total of 88,779,761 units plus $85.0 million of convertible debentures were outstanding.

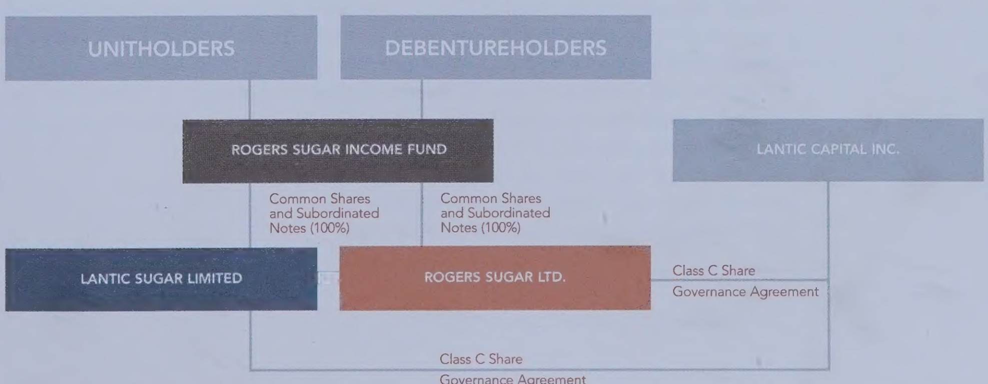
The following chart illustrates the structural relations between the unitholders, debentureholders, the Fund, Lantic Capital Inc., and the Fund's operating companies, Lantic and Rogers.

GOVERNANCE

The declaration of Trust of the Fund provides that the Trustees may in respect of the assets, activities and affairs of the Fund, exercise any and all rights, powers and privileges that could be exercised by a legal and beneficial owner.

The Fund is governed by not less than three, nor more than seven, Trustees who are appointed annually at the annual general meeting of the unitholders. At present, there are seven Trustees.

The Trustees are responsible for, among other things: acting for, voting on behalf of and representing the Fund as a shareholder and noteholder of Rogers and Lantic; maintaining records and providing reports to unitholders; supervising the activities and managing the investments and affairs of the Fund; and effecting payments of distributable cash from the Fund to unitholders.



Communication with unitholders on matters relating to the Fund is primarily the responsibility of the Administrator, Lantic Sugar Limited, through its Chief Executive Officer and Chief Financial Officer. Regular meetings and discussions are held between these individuals and industry analysts, brokers, institutional investors, as well as other interested parties.

An Audit Committee of the Fund has been formed and is composed of three Trustees, all of whom are independent and unrelated.

OPERATIONS

The Fund derives its income mainly from interest earned on the subordinated notes issued by, and dividends received from, its operating companies.

In February 2003, the Fund issued an additional 11.4 million units through a public offering. The net proceeds to the Fund of approximately $47.2 million were used, with available cash, to purchase Series "C" subordinated notes issued by Lantic in the amount of $48.5 million, at a rate of 10% per annum.

During fiscal 2003, the Fund earned $49.2 million in interest income compared to $33.4 million the previous year. The increase in income was due to interest on $48.5 million of subordinated notes purchased during the year, and to a full year of interest income on the subordinated notes purchased in fiscal 2002. No dividend was received by the Fund in fiscal 2003 as all the distributable cash of the operating companies was used to pay interest obligations to the Fund. A $2.8 million dividend was received in fiscal 2002.

The interest paid on convertible debentures is categorized under two headings because, under generally accepted accounting principles ("GAAP"), financial instruments need to be segregated according to their nature. The liability is estimated using discounting techniques regarding the value of future interest payments. The residual amount is considered the equity portion. As the interest payments are made, they draw down the value of the debt and increase the value of the equity. The interest paid on the debt portion of the convertible debentures of $2.7 million is shown under interest expense on the Fund's financial statements. The interest paid on the equity portion of the convertible debentures of $5.4 million is shown separately as interest expense in the calculation of distributable cash.

Administration expenses in 2003 were slightly higher than in the previous year due mainly to higher insurance premium costs.

Distributable cash increased to $40.4 million in fiscal 2003 from $30.4 million in fiscal 2002. All of this relates to additional interest income earned on the new subordinated notes issued by Lantic in fiscal 2003 and to the full year interest earned on the subordinated notes issued by Lantic and Rogers during fiscal 2002.

On a weighted average basis, the Fund earned 48 cents per unit of distributable cash in 2003, one cent less than the previous year. On a diluted basis, the Fund earned 48 cents of distributable cash per trust unit.

DISTRIBUTION

The Fund is required to distribute to unitholders interest and dividend income received from Lantic and Rogers, less administrative expenses and the Fund's interest expenses on the convertible debentures.

During the 2003 fiscal year, the Fund declared distributions of $41.2 million compared to $30.0 million in fiscal 2002. The increase in declared distribution is due to the higher interest income earned during the year.

TAXATION

The Fund is a taxable trust under the *Income Tax Act (Canada)* and is subject to taxation on its income for the year, less the portion paid or payable to unitholders. As anticipated, all income should be paid to unitholders in the year received, and as such the Fund should have no taxable income.

Amounts paid or payable by the Fund in a calendar year are taxable in the hands of the unitholders as interest and dividend income, as the case may be.

LIQUIDITY AND CAPITAL RESOURCES

The Fund's operating cash flows are generated entirely from interest received on the subordinated notes and dividends or return of capital received from Lantic and Rogers. Distributions are made to unitholders based on the cash received, less working capital requirements for administrative expenses. Generally, the Fund does not require capital resources to maintain its investment in Lantic or Rogers.

OUTLOOK

The Fund is totally dependent upon Lantic and Rogers for distributable cash. The annual interest payment on Rogers' initial subordinated notes of $278.3 million varies with the performance of the operating company. The interest on the other subordinated notes of Lantic and Rogers are at fixed rates. Dividends received on the common shares are dependent on, and will fluctuate with, Lantic's and Rogers' results and their requirements for maintenance capital expenditures, bank financing and working capital.

In September 2003, the Fund announced that it was adopting a monthly distribution policy and that a rate of 3.34 cents per month was anticipated. On October 15, 2003, a distribution of 3.34 cents was announced for the month of October.

RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying financial statements of Rogers Sugar Income Fund and all the information in this annual report pertaining to Rogers Sugar Income Fund are the responsibility of the Administrator and have been approved by the Board of Trustees.

The financial statements have been prepared by the Administrator in accordance with Canadian generally accepted accounting principles. When alternative accounting methods exist, the Administrator has chosen those it deems most appropriate in the circumstances. Financial statements are not precise since they include certain amounts based on estimates and judgements. The Administrator has determined such amounts on a reasonable basis in order to ensure that the financial statements are presented fairly in all material respects. The Administrator has prepared the financial information of Rogers Sugar Income Fund presented elsewhere in the annual report and has ensured that it is consistent with the financial statements of the Fund.

Rogers Sugar Income Fund maintains systems of internal accounting and Administrative controls of high quality, consistent with reasonable cost. Such systems are designed to provide reasonable assurance that the financial information is relevant, reliable and accurate and that the Fund's assets are appropriately accounted for and adequately safeguarded.

The Board of Trustees is responsible for ensuring that the Administrator fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the financial statements of the Fund. The Board carries out this responsibility through its Audit Committee.

The Audit Committee is appointed by the Board and all of its members are outside and unrelated directors. The committee meets with the Administrator, as well as external auditors, to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues, to satisfy itself that each party is properly discharging its responsibilities and to review the annual report, the financial statements and the external auditors' report. The committee reports its findings to the Board for consideration when approving the financial statements for issuance to the unitholders. The committee also considers, for review by the Board and approval by the unitholders, the engagement or re-appointment of the external auditors.

The financial statements of the Fund have been audited by KPMG LLP, the external auditors, in accordance with Canadian generally accepted auditing standards on behalf of the unitholders. KPMG LLP has full and free access to the Audit Committee.

Pierre G. Côté
President and
Chief Executive Officer
Lantic Sugar Limited
Administrator

Daniel L. Lafrance
Senior Vice-President
Finance / Procurement
Chief Financial Officer
and Secretary
Lantic Sugar Limited
Administrator

October 31, 2003

AUDITORS' REPORT TO THE UNITHOLDERS OF THE ROGERS SUGAR INCOME FUND

We have audited the balance sheets of Rogers Sugar Income Fund as at September 30, 2003 and 2002 and the statements of earnings, unitholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Fund's Administrator. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Administrator, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Fund as at September 30, 2003 and 2002 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

KPMG LLP
Chartered Accountants

Montreal, Canada
October 31, 2003

BALANCE SHEETS

September 30, 2003 and 2002 (in thousands of dollars)	2003	2002
Assets		
Current assets:		
Cash and cash equivalents	$ 598	$ 1,332
Other current assets	104	12
Receivable from Rogers Sugar Ltd.	4,994	4,819
Receivable from Lantic Sugar Limited	7,848	6,524
	13,544	12,687
Investment in Lantic Sugar Limited (note 2):		
Investment in common shares	1	1
Subordinated notes	249,350	200,850
Equity in loss and amortization of purchase price discrepancy less dividends	(10,755)	(175)
	238,596	200,676
Investment in Rogers Sugar Ltd. (note 3):		
Investment in common shares	102,701	102,701
Subordinated notes	310,761	310,761
Equity in loss and amortization of purchase price discrepancy less dividends	(97,296)	(95,256)
	316,166	318,206
Deferred financing charges	1,137	1,440
	$ 569,443	$ 533,009
Liabilities and Unitholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	$ 2,290	$ 2,133
Distributions payable to unitholders (note 5)	10,654	9,247
Current portion of convertible unsecured subordinated debentures (note 7)	5,951	5,396
	18,895	16,776
Convertible unsecured subordinated debentures (note 7)	19,006	24,869
Equity:		
Unitholders' equity	474,582	439,712
Capital portion of the convertible unsecured subordinated debentures	56,960	51,652
	531,542	491,364
	$ 569,443	$ 533,009

See accompanying notes to financial statements.

Approved by the Trustees:

Dallas H. Ross
Trustee

James S.A. MacDonald
Trustee

STATEMENTS OF EARNINGS

Years ended September 30, 2003 and 2002
(in thousands of dollars, except amounts per trust unit)

	2003	2002
Interest income:		
Rogers Sugar Ltd.	$ 19,950	$ 18,500
Lantic Sugar Limited	29,251	14,909
Other	23	35
	49,224	33,444
Rogers Sugar Ltd.:		
Equity in loss of Rogers Sugar Ltd.	(2,040)	(1,004)
Lantic Sugar Limited:		
Equity in (loss) earnings of Lantic Sugar Limited	(10,739)	1,340
Amortization of Fund's purchase price discrepancy	159	1,285
	(10,580)	2,625
	36,604	35,065
Expenses:		
Administration costs	710	654
Interest expense on convertible unsecured subordinated debentures	2,692	1,736
Amortization of deferred financing charges	303	176
Net interest expense on subscription receipts	—	630
Net earnings	$ 32,899	$ 31,869
Net earnings per trust unit:		
Basic	$ 0.32	$ 0.47
Diluted	$ 0.32	$ 0.46

See accompanying notes to financial statements.

STATEMENTS OF UNITHOLDERS' EQUITY

Years ended September 30, 2003 and 2002
(in thousands of dollars)

	2003	2002
Balance, beginning of year	$ 439,712	$ 286,670
Net earnings for the year	32,899	31,869
Distributions (note 5)	(41,206)	(29,961)
Issuance of trust units (note 6)	48,560	153,955
Interest expense on equity portion of the convertible unsecured subordinated debentures (note 7)	(5,383)	(2,821)
Balance, end of year	$ 474,582	$ 439,712

See accompanying notes to financial statements.

STATEMENTS OF CASH FLOWS

Years ended September 30, 2003 and 2002 (in thousands of dollars)	2003	2002
Cash flows from operating activities:		
Net earnings	$ 32,899	$ 31,869
Adjustments for items not involving cash:		
Amortization of deferred financing charges	303	176
Rogers Sugar Ltd.:		
Equity in loss of Rogers Sugar Ltd.	2,040	1,004
Lantic Sugar Limited:		
Equity in loss (earnings) of Lantic Sugar Limited	10,739	(1,340)
Amortization of Fund's purchase price discrepancy	(159)	(1,285)
Net change in non-cash working capital	(1,434)	(5,154)
	44,388	25,270
Cash flows from financing activities:		
Distributions to unitholders	(38,462)	(24,647)
Issuance of trust units (note 6)	47,223	—
Interest expense on the equity portion of the convertible unsecured subordinated debentures (note 7)	(5,383)	(2,821)
Issuance of convertible unsecured debentures, net (note 7)	—	81,917
Financing charges	—	(1,616)
	3,378	52,833
Cash flows from investing activities:		
Investment in Lantic Sugar Limited (note 2)	—	(2,114)
Issuance of subordinated notes to Lantic Sugar Limited (note 2)	(48,500)	(45,000)
Issuance of subordinated notes to Rogers Sugar Ltd. (note 3)	—	(32,500)
Dividend from Lantic Sugar Limited	—	2,800
	(48,500)	(76,814)
Net change in cash and cash equivalents	(734)	1,289
Cash and cash equivalents, beginning of year	1,332	43
Cash and cash equivalents, end of year	$ 598	$ 1,332
Supplemental disclosure:		
Trust Units issued pursuant to Distribution Reinvestment Plan	$ 1,337	$ 218
Investment in Lantic Sugar Limited in exchange for trust units	—	153,737

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

Years ended September 30, 2003 and 2002

Rogers Sugar Income Fund (the "Fund") is an open-ended, limited purpose trust created under the laws of Ontario by a declaration of trust made as of September 15, 1997 as amended and restated on September 30, 1997 (the "Declaration of Trust"). An unlimited number of trust units may be issued pursuant to the Declaration of Trust.

1
SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with accounting policies generally accepted in Canada.

(a) Income taxes:
The Fund is a unit trust for income tax purposes. As such, the Fund is only taxable on any taxable income not allocated to the unitholders. As substantially all taxable income will be allocated to the unitholders, no provision for income taxes on earnings of the Fund has been made in these financial statements. Income tax liability relating to distributions from the Fund are the obligations of the unitholders.

(b) Cash and cash equivalents:
Cash and cash equivalents include cash on hand, bank balances and short-term liquid investments with maturities of three months or less, and bank overdraft when the latter forms an integral part of the Fund's cash management.

(c) Goodwill:
Consistent with equity method investments, the portion of the difference between the cost of an investment and the underlying equity in net assets of an investee that represents goodwill (i.e. equity method goodwill) is not amortized. However, equity method goodwill would not be tested for impairment in accordance with Handbook Section 3062, Goodwill and other intangible assets (Section 3062), but rather in accordance with Handbook Section 3050, Long-term Investments (Section 3050). Under Section 3050, the evaluation of equity method goodwill is subsumed into an evaluation for impairment of the investment in the equity method investee in total.

(d) Use of estimates:
The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(e) Financial instruments:
The carrying value of cash and cash equivalents, other current assets, accounts receivable, accounts payable and accrued liabilities and distributions payable to unitholders approximates fair values based on the short-term maturity of these instruments. The fair value of the subordinated notes is not practicable to determine given the many factors, terms and conditions that would influence such a determination.

The fair value of the convertible unsecured subordinates debentures is established using current market quotes.

(f) Subordinated notes:
From time to time, the Board of Directors of Rogers and Lantic and, if the Fund holds, directly or indirectly, at least 25% of the aggregate principal amount of outstanding notes, the Trustees, shall jointly review Lantic and Rogers' (the "Investments") facilities and operations, the economic conditions relating to the sugar industry and the business prospects of the Investments. If this review, in the opinion of either the Board of Directors of the Investments or the Trustees, indicates that it is unlikely that the indebtedness of the Investments evidenced by the notes could be refinanced on the same terms and conditions upon maturity of the notes, then the Investments shall commence principal repayments on the notes such that the notes are fully repaid on or before the Maturity Date or reduced to the level which the Board of Directors of the Investments and the Trustees are of the opinion could be so refinanced. In that event, the available cash of the Investments will be utilized to the extent required to fund such repayments in lieu of returns of capital on Common Shares or dividends on, or other distributions in respect of Common Shares.

2 INVESTMENT IN LANTIC SUGAR LIMITED

On March 8, 2002, the Unitholders approved the acquisition of 171266 Canada Inc. ("Lantic Investments") in exchange for the issuance of 35,500,000 units of the Fund.

Immediately thereafter, the Fund incorporated 3989536 Canada Inc. ("Lantic Holdings") and Lantic Holdings issued 1 Class "C" share to Lantic Capital Inc. entitling it to designate five of Lantic Holdings' seven directors. The Fund sold its investment in Lantic Investments to Lantic Holdings in exchange for an unsecured subordinated note of Lantic Holdings in the amount of $155,850,000 bearing interest at 13.25%. Lantic Holdings and Lantic Investments were then merged to form Lantic Sugar Limited ("Lantic").

While the Fund owns all of the common shares of Lantic, Lantic Capital Inc., the owner of the Class "C" share of Lantic, is entitled to designate five of Lantic Investments' seven directors. Accordingly, Lantic does not meet the definition of a subsidiary for accounting purposes and the Fund accounts for its investment in Lantic Investments from the effective date of acquisition using the equity method.

Since the transactions between Lantic Holdings and Lantic Investments represent exchange of ownership interests between entities under common control, the financial statements of Lantic reflect the assets and liabilities of Lantic Holdings and Lantic Investments at their net book value as reported in their historical financial statements.

The allocation of the purchase price was as follows:

(in thousands of dollars)	
Fair value of consideration issued:	
35,500,000 units at $4.33 per unit	$ 153,737
Acquisition costs	2,113
	155,850
Net book value of Lantic Investments as of March 7, 2002	37,692
Purchase price discrepancy	$ 118,158

Allocated as follows:	
Capital assets	$ 31,800
Pension asset	(5,051)
Long-term debt – interest rate swap	(2,891)
Goodwill	94,300
	$ 118,158

The details of the Fund's investment in Lantic as of September 30 are as follows:

	2003	2002
Common shares	**$ 1**	$ 1
Subordinated notes:		
Series "A" – issued on corporate reorganization, bearing interest at 13.25%	**155,850**	155,850
Series "A" – issued on March 8, 2002 and used to repay term loans, bearing interest at 13.25%	**35,000**	35,000
Series "B" – issued on March 8, 2002 and used for working capital purposes, bearing interest at 10%	**10,000**	10,000
Series "C" – issued on February 20, 2003 and used to repay term loans, bearing interest at 10%	**48,500**	—
	$ 249,351	$ 200,851

The subordinated notes are due on October 15, 2027. The Fund may defer the payment of interest on the subordinated notes for up to 18 months to the extent that Lantic's earnings before interest, taxes, depreciation and amortization ("EBITDA"), less any interest and principal paid on the credit facility, are inadequate to pay the interest on the subordinated notes.

3
INVESTMENT IN ROGERS SUGAR LTD.

The Fund has an investment in Rogers Sugar Ltd. ("Rogers") made up of the following:

(in thousands of dollars)	2003	2002
41,504,800 common shares	**$ 102,701**	$ 102,701
Subordinated notes (the "Notes"):		
Issued in 1997	**278,261**	278,261
Series "A"– issued in 2002	**7,500**	7,500
Series "B" – issued in 2002	**25,000**	25,000
	310,761	310,761
	$ 413,462	$ 413,462

The 41,504,800 shares represent 100% of Rogers' issued common shares. While the Fund owns all of the issued common shares, Lantic Capital Inc., owner of the Class C share of Rogers, is entitled to designate five of Rogers' seven directors. Accordingly, Rogers does not meet the definition of a subsidiary for accounting purposes and the Fund accounts for its investment from the effective date of the acquisition, October 8, 1997, using the equity method. Under this method, the cost of the investment is increased (decreased) by Rogers' earnings (loss) and reduced by the amortization of the excess of the purchase price over the net book value of the acquired shares (purchase price discrepancy), any dividends paid to the Fund by Rogers and repurchases of the common shares held by the Fund.

All Notes mature on October 15, 2027 ("Maturity Date"). The Notes issued in 1997 bear interest at a variable rate based on Rogers EBITDA, and working capital requirements, subject to a ceiling of 11.5%, and a floor of 6% per annum, payable quarterly. The Fund may defer the payment of interest on the Notes for up to 18 months to the extent that its EBITDA, less any interest and principal paid on the credit facility, are inadequate to pay the interest on the Notes.

The Series "A" and Series "B" Notes bear interest at 10%. The Notes issued in 1997 and the Series "A" Notes are not redeemable prior to maturity.

4
DISTRIBUTABLE CASH

(in thousands of dollars)	2003	2002
Net earnings	**$32,899**	$31,869
Add (deduct):		
Rogers Sugar Ltd.:		
Equity in loss of Rogers Sugar Ltd.	**2,040**	1,004
Lantic Sugar Limited:		
Equity in loss (earnings) of Lantic Sugar Limited	**10,739**	(1,340)
Amortization of Fund's purchase price discrepancy	**(159)**	(1,285)
Dividend from Lantic Sugar Limited	**—**	2,800
Interest expense on the equity portion of the convertible unsecured subordinated debentures (note 7)	**(5,383)**	(2,821)
Amortization of deferred financing charges	**303**	176
	7,540	(1,466)
Distributable cash	**$40,439**	$30,403

5
DISTRIBUTIONS TO UNITHOLDERS

During the year, the Fund declared distributions to unitholders of $41,205,619 (2002 - $29,960,935) or $0.480 (2002 - $0.435) per unit. The amounts and record dates of the distributions were:

	2003		2002	
Record date	Amount	Amount per unit	Amount	Amount per unit
December 31	$ 9,267,953	$ 0.120	$ 4,151,725	$ 0.100
March 31	10,638,679	0.120	7,702,430	0.100
June 30	10,645,416	0.120	8,859,693	0.115
September 30	10,653,571	0.120	9,247,087	0.120
	$ 41,205,619	$ 0.480	$ 29,960,935	$ 0.435

The September 30 distribution was paid on October 15, 2003 (2002 - October 15, 2002). The distributions declared have been allocated as follows for income tax purposes:

	2003		2002	
	Amount	Amount per unit	Amount	Amount per unit
Interest income	$ 41,205,619	$ 0.480	$27,160,935	$ 0.399
Dividend income	—	—	2,800,000	0.036
Total distribution	$ 41,205,619	$ 0.480	$29,960,935	$ 0.435

6
TRUST UNITS

An aggregate 88,779,761 (2002 - 77,059,171) Trust Units of the Fund have been issued. Each Trust Unit represents an equal undivided beneficial interest in the net assets of the Fund. Each Trust Unit is transferable, entitles the holder thereof to participate equally in distributions of the Fund and to one vote for each Trust Unit held at all meetings of unitholders. Unitholders are not subject to future cash calls or assessments.

(in thousands of dollars, except number of units)	2003		2002	
	Number of units	Amount	Number of units	Amount
Trust Units, beginning of year	77,059,171	$ 534,934	41,509,107	$ 380,979
Issued during the year:				
Initial investment in Lantic Sugar Limited (note 2)	—	—	35,500,000	153,737
Additional investment in Lantic Sugar Limited (a)	11,400,000	47,223	—	—
Distribution Reinvestment Plan (b)	320,590	1,337	50,064	218
	11,720,590	48,560	35,550,064	153,955
Trust Units, end of year	88,779,761	$ 583,494	77,059,171	$534,934

(a) On February 20, 2003, the Fund entered into a bought deal agreement to issue and sell to a syndicate of underwriters 11,400,000 trust units at a price of $4.40 per trust unit, resulting in gross proceeds of $50,160,000. The net proceeds to the Fund of approximately $47,223,000 were used to reduce the outstanding indebtedness of Lantic in exchange for subordinated notes in the amount of $48.5 million at a rate of 10% per annum (see note 2).

(b) During the year, the Fund issued 320,590 (2002 - 50,064) units at a value of approximately of $1,336,995 (2002 - $218,500) by way of its Distribution Reinvestment Plan. The weighted average of trust units used to calculate net earnings per trust unit is 84,895,041 (2002 - 62,245,247).

(c) On September 17, 2003, the Board of Trustees approved, subject to regulatory approval, the commencement of a normal course issue bid to purchase for cancellation up to 10% of the public float of the trust units of the Fund.

7
CONVERTIBLE UNSECURED SUBORDINATED DEBENTURES

Concurrently with the Fund's investment in Lantic Sugar Limited, the proceeds from 85,000 subscription receipts issued on January 31, 2002 were released from escrow and converted into 85,000 $1,000 principal amount of 9.5% convertible unsecured subordinated debentures ("Debentures") of the Fund. The debentures mature on June 29, 2007 and interest is payable semi-annually on June 29 and December 29 in each year, commencing June 29, 2002.

The respective debt and equity components of the debentures, net of issue costs of $3,083,000, are as follows:

(in thousands of dollars)

	Debt component	Equity component	Total
Balance, at issuance (March 8, 2002)	$ 33,086	$ 48,831	$ 81,917
Debt reduction and transfers to equity component during fiscal 2002	(2,821)	2,821	—
Balance, September 30, 2002	30,265	51,652	81,917
Debt reduction and transfers to equity component during fiscal 2003	(5,308)	5,308	—
Balance, September 30, 2003	$ 24,957	$ 56,960	$ 81,917

The liability component of the 9.5% convertible debentures was determined by discounting the stream of future interest payments at the then prevailing market interest rate. The liability component will increase over the term to maturity through charges to earnings and decrease through the semi-annual payment of interest, so that at maturity it will be nil.

The equity component was calculated at inception as the difference between the debenture principal obligation and the amount of the liability component. The equity component will increase over the term to maturity through charges to retained earnings, so that at maturity it will equal the principal amount of the debenture, net of issue costs.

Each debenture is convertible into trust units at the option of the holder at any time prior to the close of business on the earlier of June 29, 2007, and the business day immediately preceding the date specified by the Fund for redemption of the debentures, at a conversion price of $4.75 per trust unit (the "Conversion Price"), being a conversion rate of 210.526 trust units per $1,000 principal amount of debentures, subject to adjustments in accordance with the terms of the trust indentures governing the debentures.

The debentures will not be redeemable by the issuer on or before February 1, 2005. Subsequent to February 1, 2005, and prior to February 1, 2006, the debentures are redeemable at a price equal to the principal amount thereof plus accrued and unpaid interest, provided that the current market price preceeding the date upon which the notice of redemption is given is at least 125% of the conversion price. Subsequent to February 1, 2006, the debentures are redeemable at a price equal to the principal amount thereof plus accrued and unpaid interest.

On redemption or at maturity, the Fund may, at its option and subject to any required regulatory approvals, elect to satisfy its obligation to pay the principal amount of debentures by issuing and delivering that number of Trust Units obtained by dividing the principal amount of the outstanding debentures which are to be redeemed or have matured by 95% of the weighted average trading price of the Trust Units on the Toronto Stock Exchange for the 20 consecutive trading days ending on the fifth trading day preceding the date fixed for redemption or on maturity, as the case may be.

The fair value of the debentures, as at September 30, 2003, was approximately $90,100,000 (2002 - $88,400,000) based on market quotes.

8
ADMINISTRATION AGREEMENT

In 1997, the Fund entered into an Administration Agreement with Lantic. Under the terms of the agreement, Lantic is responsible for the administration and management of the Fund. Under the Administration Agreement, Lantic earns a fee of $50,000 per annum. The agreement is still in place at the end of fiscal 2003.

ROGERS SUGAR LTD. AND LANTIC SUGAR LIMITED

REPORT TO SHAREHOLDERS

Our just ended fiscal year was the first full 12-month period of unified Rogers and Lantic under Rogers Sugar Income Fund. 2003 was also the first year under the Fund's new mission:

"To maximize unitholders' value by being a high performance organization, supported by proud employees and focused on operational excellence and customer loyalty".

We believe our path towards ambitious goals, initiated in 2002 and accelerated in 2003, is giving us a better foundation to face challenges and embrace opportunities in 2004.

2003 – A YEAR OF TRANSITION

Lantic and Rogers combined generated $48.0 million of cash for distribution to the Fund in fiscal 2003, compared to $37.7 million in fiscal 2002. Fiscal 2002 results included only seven months of Lantic as it was acquired in March 2002.

Although our fiscal 2003 performance was improved, it was a challenging year for our operations, with Taber's sugar beet harvest and higher operating costs to support record volumes at the Montreal refinery. In both cases, we noticed a recovery late in the year, with much improved growing conditions in Taber and more stable and reliable production in Montreal. The results were also affected by additional pension fund costs. Nonetheless, the distributable cash generated was sufficient to maintain the level of the Fund's quarterly cash distributions in fiscal 2003.

Lantic generated $28.1 million of distributable cash in fiscal 2003, while $18.2 million was reflected in the Fund's fiscal 2002 results because of the timing of its acquisition by the Fund. Lantic's gross margin was down due mainly to changes in sales mix, higher operating costs, and a one-time contract cancellation charge.

Production at our Montreal refinery in fiscal 2003 was at a record level, and was 4% higher than in fiscal 2002. In the course of the past four years, since the refinery was expanded and modernized, the Montreal team has each year surpassed its previous year's production. In order to support these historically high levels of production, while at the same time improving the quality and stability of the operations, extra maintenance costs were incurred to improve some equipment reliability.

Rogers generated $19.9 million of distributable cash this year compared to $19.5 million in 2002, which included a $2.6 million one-time inventory gain. Rogers' results were better than anticipated despite additional distribution costs associated with a temporary shift in production to Vancouver from Taber to make up for a Taber shortfall.

Our Taber team had to deal with very difficult growing conditions in the 2003 fiscal year, all outside of its control. Indications are that the worst might be behind us, with a stable base line of acres grown, and improved irrigation conditions.

The Vancouver refinery successfully made up the Taber shortfall. The Vancouver team rose to the challenge, minimizing the financial impact of the Taber production shortfall. In fact, our Vancouver team shattered its own production record of last year by 23%.

Our two western operations successfully renewed their respective labour agreements in 2003. Our labour agreements will now terminate in consecutive years, with the Taber agreement terminating in 2006 and the Vancouver one in 2007. The Montreal refinery labour agreement, which was renegotiated in 1998, is in effect until 2008.

All of our operations continue to improve their quality and health-safety programs. A greater emphasis is also being placed on using the criteria of the HACCP (Hazard Analysis Critical Control Point) international standard in order to continue to reach higher levels in the quality of our products.

SUGAR MARKET GREW 5% IN FISCAL 2003

The Canadian sugar market continued to grow in fiscal 2003 to over 1.3 million metric tonnes. It benefited again this year from a migration of production capacity for sugar-containing products. This migration stimulates demand in the industrial sector, which accounts for 80% of our volume in Eastern Canada and about 60% in Western Canada.

Lantic and Rogers were able to capture a good part of the growth in 2003 and we are excited about the quality of our growing customer base.

OUTLOOK FOR 2004

The year 2004 presents us with new challenges and opportunities, in the context of expectations that the Canadian sugar market should still grow at a rate of about 2% in 2004.

Two new suppliers may influence the dynamics of the Canadian sugar market and try to capture a portion of the growth. In the Eastern Canadian market, it seems that a new sugar refiner is finally expected to be active in the beginning of the year. In Western Canada, a bilateral agreement with Costa Rica for a duty-free quota has been in effect for a year, with a currently indeterminate impact. In the East, as in the West, it is too early to assess the impact that these operations may have. However, Lantic and Rogers are well prepared to respond to market pressures these new players may bring to bear on the market. With our sophisticated distribution network across Canada, and multi-site capacity strategically located, Lantic and Rogers offer a unique value proposition to more and more demanding customers.

North American energy prices have increased over the last few months. We anticipate that this trend will stabilize at these higher levels in 2004. Thus, in the short-term, operational efforts will be concentrated on further improving our cost structure to compensate for higher natural gas prices. For the longer-term, we are assessing opportunities for cogeneration and the use of alternative fuels.

We will continue to capitalize on sugar market opportunities in order to optimize plant capacity and thus reduce our unit costs.

Moderate sales growth is anticipated for Lantic. Our 2003 refinery maintenance efforts have permitted us to attain unequaled levels of product quality and to assure the continuation of superior operations, enabling us to strengthen our position as a supplier of choice for our clients in Eastern Canada.

We also anticipate moderate sales growth for Rogers. This year's sugar production at Taber is already looking much better than last year, thus giving us the opportunity to pursue more beet sugar sales in the Prairie market.

Capital spending in fiscal 2004 is expected to be $1.5 million higher than that of fiscal 2003 and is focused on labour and energy efficiency initiatives. On the other hand, a reduction of discretionary spending across the organization has been initiated to optimize cash flow in 2004. Management continues to look for ways, such as acquisition possibilities, to best utilize available cash in the operating companies, keeping in mind market trends and the objective of long-term sustainable profitability.

By the Fund having lowered its projected cash distributions for 2004, it will permit us to rise to challenges in a new competitive environment and permit us to invest in our operations to further reduce our cost structure.

We are confident that the Lantic and Rogers team is ready to rise to the challenges of 2004, and continue to build a stronger organization to maximize unitholder value.

A. Stuart Belkin
Chairman

Pierre G. Côté
President and
Chief Executive Officer

ROGERS SUGAR LTD. AND LANTIC SUGAR LIMITED

MANAGEMENT'S DISCUSSION AND ANALYSIS–OPERATING COMPANIES

Canadian accounting principles do not permit us to consolidate the results and operations of Rogers Sugar Ltd. ("Rogers") and Lantic Sugar Limited ("Lantic") into the financial statements of Rogers Sugar Income Fund (the "Fund"). For this reason, we present audited financial statements with accompanying notes therein for both operating companies for your information. For Rogers, these statements can be found on pages 31 to 41, and for Lantic on pages 43 to 54. For the reader's benefit, we are also presenting data to evaluate the key financial results of the operating companies on a combined basis.

The Board of Directors and senior executive team of each operating company are comprised of the same individuals. The incentive plan for senior executive members is based on the results of both operating companies.

Each operating company has an Audit Committee that meets on a quarterly basis to review and approve the financial statements. The Audit Committees are composed of three members each, two of which are the nominees of the Fund to the Board of Directors of the respective company, and who are independent and unrelated to the operating companies.

We wish to remind the reader that the results of operations for Lantic include the whole of fiscal 2003, and from the date of acquisition, March 8, 2002, to September 30, 2002 for fiscal 2002.

OUR OPERATIONS

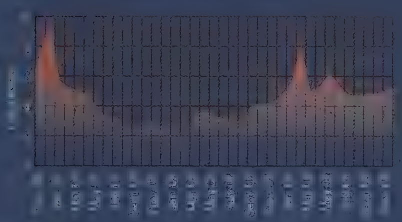
Sugar users across Canada are being served either from Lantic's Montreal cane refinery, Rogers' Vancouver cane refinery or Taber's Alberta sugar beet factory. Combined, Rogers and Lantic is the largest refined sugar producer in Canada, with annual nominal production capacity of approximately 1,000,000 metric tonnes. Rogers operates the only sugar beet factory in Canada, and is therefore the only producer of Canadian origin sugar.

The strategic locations of these facilities allow Lantic and Rogers to service all customers across Canada in an efficient and timely basis.

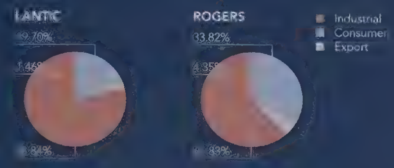
Lantic's Montreal refinery achieved a record level of production in fiscal 2003, with 470,000 metric tonnes. Two years after expansion, the plant is reaching its hourly melt capacity, which in return helps Lantic maximize its throughput. The focus is still on improving packaging and maintenance costs, which were higher than forecast during the year.

For Rogers, the Vancouver facility produced a record of 200,500 metric tonnes of sugar. Additional production was necessary due to the shortfall in production in Taber. Vancouver's operating cost per unit was greatly improved in the process. The Vancouver refinery is also the sole producer of many specialty products such as sugar cubes, muscovado, plantation raw sugar, boiled golden brown sugar and the well-known Rogers Golden Syrup.

NATURAL GAS PRICES
NYMEX CONTINUATION CHART



SALES BY TYPE



Taber's factory produced just over 51,000 metric tonnes of sugar in fiscal 2003, the worst production level in years. Abnormal weather conditions impacted the sugar beet crop of fiscal 2003. Most of the growing season was characterized by below normal temperatures, which greatly curtailed growth and development of the crop. Both yield and beet quality were affected by these conditions. At the start of harvest, operations were hampered and efficiencies reduced on numerous occasions due to wet weather conditions. Later, the harvest had to stop completely due to very cold weather and snow. The beets remaining in the ground were badly damaged by frost, and when harvested did not store well and quickly deteriorated. This further reduced the extraction rate and caused Taber to achieve one of its worst levels of production.

Employees are key to the success of our operations and employee safety is at the forefront of our priorities. We strive to maintain a clean and safe work environment for all our employees, with close monitoring of any incident to further improve employee safety.

During the year, both the Vancouver and Taber labour agreements were renewed for periods of four and three years respectively. In Montreal, we are in the fifth year of a ten-year labour contract. These labour agreements will help achieve stability in our operating costs, as labour is the single largest operating expense.

Energy is our second largest operating expense. We have a hedging strategy in place with futures contracts to mitigate the effects of sudden rises in the price of natural gas. These hedging contracts are normally entered into in the Spring for the October to March period, when natural gas prices often have their largest fluctuations. However, the company remains exposed to year-to-year trends in natural gas prices.

To maintain sound and reliable operations, Lantic and Rogers annually invest approximately $6.0 million in capital expenditures. In addition, a considerable amount is dedicated at all plants to preventive maintenance and repairs to maintain competitive operating levels.

OUR PRODUCTS

Both Lantic and Rogers supply high quality white sugar as well as value-added specialty products. Over the years, our customers have come to depend on us, and we are committed to responding to their evolving needs. Sales are focused in three specific segments: industrial, consumer and liquid products. Customer demographics across Canada differ, as there are more industrial users of sugar in the East than in the West. As shown in the Sales by Type chart, a larger percentage of Rogers' sales occur in the consumer segment. As well, a substantial part of Rogers' industrial sales are made to liquid industrial users.

Some liquid users can substitute liquid sucrose with high fructose corn syrup ("HFCS"). These accounts have historically been the lowest margin accounts. Rogers has the ability to compete in this business on a year-to-year basis due mainly to its cost-of-freight advantage over HFCS producers, and the availability of sugar from the Taber factory.

WORLD RAW CANE SUGAR PRICES

Rogers' Taber beet plant is the only producer of Canadian-origin sugar and, as such, is the sole supplier of sugar to the United States under the Canadian-specific quota of approximately 10,000 metric tonnes.

In total, 710,089 metric tonnes of sugar were sold in fiscal 2003.

	LANTIC		ROGERS		COMBINED**	
	2003	2002*	**2003**	2002	**2003**	2002
Revenues ($ 000s)	**256,863**	147,621	**167,617**	162,559	**419,146**	308,800
Volume (metric tonnes)	**472,295**	269,880	**244,714**	240,821	**710,089**	509,637

* For the period of March 8, 2002 to September 30, 2002.
** Inter-company sales have been eliminated.

The total Canadian nutritive sweetener market increased by approximately 4% in fiscal 2003. Most of this increase was in Eastern Canada, where the largest industrial users are located.

Year over year, Lantic's sales volume increased by approximately 3.7%, while Rogers' increase of 1.6% reflects the lower growth rate in Western Canada.

The raw sugar average price was similar year over year. Revenue per metric tonne sold was also consistent from year to year.

In the processing of sugar beets in Taber, two by-products, beet pulp and beet molasses, are produced. Beet molasses is primarily used in yeast manufacturing, while beet pulp is used for animal feed. Revenues of these by-products are affected by the price of other commodities in the sector they are used. Taber's by-product sales were lower due to the smaller crop processed during the year.

Going forward, we will continue to work with our customers to develop production of sugar-containing products in Canada. We will also continue to develop and offer a greater range of innovative products in order to enhance our sales and improve margins. By working with our customers to meet their product specifications, we deepen our relationship with them and strengthen our position as a supplier of choice.

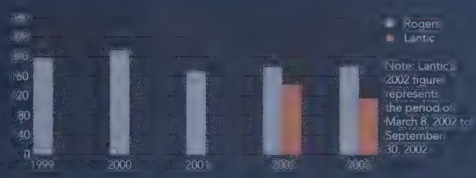
OUR SUPPLY

The supply of raw sugar is ample. While Australia remains the major supplier to both Lantic and Rogers, in recent years, purchases of raw sugar from Central and South American countries have increased as the quality and consistency of their raw sugar has improved. Their proximity to Canada also offers advantages in transporting raw sugar to our refineries.

WORLD RAW SUGAR PRICES

FINANCIAL REVIEW – GROSS MARGIN

(per MT)



The price of Lantic's and Rogers' sugar delivered to our clients is directly linked to the world raw sugar market traded on the New York Coffee, Sugar and Cocoa Exchange. Unlike other countries, Canada does not subsidize the production or the processing of raw sugar.

All raw sugar transactions related to both the Montreal and Vancouver refineries are hedged, thus eliminating gains or losses from raw sugar movement in our pricing policy. In Taber, our raw material is sugar beets. Therefore, since our pricing is based on a commodity, we do feel the effects of the volatility in world pricing. In 2002, we renegotiated our Master Agreement with the Alberta Sugar Beet Growers (the "Growers") and jointly decided that a fixed price was the most secure method by which to encourage the Growers to continue to cultivate high quality beets and increase acreage. With a larger crop, our Taber facility will be more efficient operationally and will therefore reduce its per unit cost of production. We are now absorbing all of the risks associated with fluctuations in world raw sugar prices.

World raw sugar prices continued to be low during the year. Although this situation is unfavourable for Taber's results, it helps in promoting the production of sugar-containing products in Canada, as world prices are significantly lower than the subsidized prices in other industrialized countries like the United States and those of the European Union.

GROSS MARGINS

Two major factors impact our gross margins: the selling margin of our products and our operating costs.

	LANTIC		ROGERS		COMBINED	
	2003	2002*	**2003**	2002	**2003**	2002
Gross margin ($000s)	**55,059**	39,250	**44,316**	43,546	**99,375**	82,796
Gross margin per metric tonne ($)	**116.58**	145.44	**181.04**	180.82	**139.95**	162.46

* For the period of March 8, 2002 to September 30, 2002.

Rogers' gross margin of $181.04 per metric tonne for fiscal 2003 is actually an improvement from the previous year of over $11.00 per metric tonne. Fiscal 2002 results included a one-time gain of $2.6 million, or $10.80 per metric tonne earned on the reduction of 10,000 metric tonnes of base stock inventory. Without this gain, fiscal 2002 gross margin would have been $170.00 per metric tonne.

The improvement in fiscal 2003 is due in large part to Vancouver's record level of production. The per unit cost of production in Vancouver is lower than Taber's as Vancouver refines raw sugar, while Taber processes a sugar beet from which it extracts sugar. It is therefore cheaper to produce a tonne of refined sugar in Vancouver than in Taber. On the other hand, distribution costs are higher, as more refined sugar had to be shipped to the Prairie markets from Vancouver.

Lantic's gross margin per metric tonne was lower than the 2002 level due in large part to the sales mix, higher operational costs and cancellation costs of a raw sugar contract. All the volume growth achieved by Lantic was in the industrial segment. This segment has the lowest sales margins. In addition, higher than planned expenses in packaging, maintenance costs and energy lowered gross margin. Personnel changes and additional monitoring controls were put in place late in the fiscal year to improve competitiveness.

OTHER EXPENSES

(in thousands of dollars)	LANTIC 2003	LANTIC 2002*	ROGERS 2003	ROGERS 2002	COMBINED 2003	COMBINED 2002
Distribution	**$ 5,040**	$ 2,804	**$ 9,263**	$ 7,382	**$14,303**	$10,186
Administration and other	**17,718**	9,741	**4,801**	5,040	**22,519**	14,781
Interest	**35,874**	20,475	**27,748**	27,116	**63,622**	47,591
Depreciation and amortization	**8,664**	4,439	**3,938**	3,970	**12,602**	8,409

* For the period of March 8, 2002 to September 30, 2002.

Rogers' distribution costs for fiscal 2003 were higher than fiscal 2002 as an additional 34,000 metric tonnes were shipped to the Prairie markets to make up for the shortfall in Taber's beet sugar production.

On a per metric tonne basis, Lantic's distribution costs were in line with 2002 results.

Administration costs at Lantic were much higher than the previous year due in large part to higher pension and capital tax expenses. With the lower return achieved in Lantic's three defined benefit pension plans, an additional expense of $1.5 million was recorded in fiscal 2003. At year-end, one of these plans was converted into a defined contribution plan. In addition, after a thorough analysis and numerous meetings with various fund managers, the pension fund asset manager was changed, effective July 1, 2003.

Capital taxes at Lantic were higher than the previous year due to the change in Lantic's capital structure when the company was acquired by the Fund in March 2002.

Rogers' administration expenses were lower as capital tax was abolished in British Columbia. It should be noted that Lantic's administration costs reflects all costs of senior management for both operating companies.

Total interest expense comprised interest paid to the Fund, banks and debentureholders. During the year, Lantic's term loans were refinanced. In February 2003, Series "C" subordinated notes were issued to the Fund in the amount of $48.5 million, and in June 2003, a new debenture of $65.0 million was privately placed with various financial institutions. The proceeds of these two financings were used to repay entirely the term loans. The annual interest rate on the new debenture is 5.89%. An interest-rate swap (the "Swap") was entered into prior to the closing of the debenture issue and was subsequently unwound after the closing. The cost of the Swap will be amortized over the life of the debenture, resulting in a total effective annual cost of 6.66%.

The interest expense breakdown is as follows:

INTEREST EXPENSE (INCOME)

(in thousands of dollars)	LANTIC 2003	LANTIC 2002*	ROGERS 2003	ROGERS 2002	COMBINED 2003	COMBINED 2002
Subordinated notes	**$29,251**	$14,909	**$19,950**	$18,500	**$49,201**	$33,409
Term loans and debentures	**6,824**	5,443	**8,170**	8,149	**14,994**	13,592
Short-term bank debt/ temporary cash investments	**(201)**	123	**(372)**	467	**(573)**	590

* For the period of March 8, 2002 to September 30, 2002.

INTEREST EXPENSE

(in thousands of dollars)		Balance at September 30/03	Interest Rate	2003	2002
Operating Company					
1. Debentures					
Lantic		**$ 65,000**	5.89%	**$ 6,824**	$ 5,443*
Rogers		**100,000**	8.17%	**8,170**	8,149
Total		**$165,000**		**$14,994**	$13,592
2. Subordinated notes (Payable to Rogers Sugar Income Fund)					
Lantic	Series A	**$190,850**	13.25%	**$25,288**	$14,342
	Series B	**10,000**	10.0%	**1,000**	567
	Series C	**48,500**	10.0%	**2,963*****	—
Rogers	Initial	**278,261**	Variable	**16,700**	16,800
	Series A	**7,500**	10.0%	**750**	425**
	Series B	**25,000**	10.0%	**2,500**	1,275**
Total		**$511,611**		**$49,201**	$33,409

* For the period from March 8, 2002 to September 30, 2002.
** Series "A" subordinated notes were issued March 8, 2002, Series "B" subordinated notes were issued March 28, 2002.
*** Lantic's Series "C" subordinated notes were issued February 20, 2003.

Lantic's interest expense increased in fiscal 2003, compared to fiscal 2002, due to charges for subordinated notes issued in February 2003 and a total year of interest charges for Series "A" and "B" subordinated notes which were issued during fiscal 2002. Similarly, Rogers' interest expense was higher in fiscal 2003, compared to fiscal 2002, as there were 12 months of interest charges for Series "A" and "B" subordinated notes in fiscal 2003, compared to approximately 7 months of charges in fiscal 2002. The additional interest expense paid in the year was paid to Rogers Sugar Income Fund.

Lantic's term loans were refinanced during the year. The total amount outstanding of $113.1 million was repaid in two tranches. First in February 2003, an amount of $53.6 million was paid with available cash and the proceeds of Series "C" subordinated notes. In June 2003, the remaining $59.5 million was repaid from the proceeds of the newly issued debenture of $65.0 million. For the term loans, the average interest rate paid was slightly more than 8.1%, while the new debenture has an effective interest rate of 6.66% (reflecting a coupon of 5.89% plus amortization of Swap costs).

As Lantic and Rogers were in a positive cash position for most of the year, interest income was earned in both operations.

The increased depreciation in Lantic reflects the whole year's expenses versus the period of March 8 to September 30 in fiscal 2002.

INCOME TAXES

Rogers' and Lantic's current income taxes relate mostly to the Large Corporation Tax. Future income taxes reflect temporary differences, which result primarily from the difference between capital cost allowance claimed for tax purposes and depreciation amounts recognized for financial reporting purposes, as well as losses carried forward and inventory costing.

CASH FLOW

Cash flow generated by the operating companies serves to pay interest obligations, dividends and return of capital to the Fund, after having made reasonable provision for working capital reserves.

The distributable cash earned by the operations is as follows:

(Unaudited) (in thousands of dollars)	LANTIC 2003	LANTIC 2002*	ROGERS 2003	ROGERS 2002	COMBINED 2003	COMBINED 2002
Earnings before depreciation, amortization, interest and income taxes	**$32,301**	$26,705	**$30,252**	$31,124	**$62,553**	$57,829
Add (deduct):						
Bank and debenture interest	**(8,947)**	(5,566)	**(7,798)**	(8,616)	**(16,745)**	(14,182)
Maintenance capital expenditures	**(3,067)**	(1,742)	**(1,728)**	(2,301)	**(4,795)**	(4,043)
Income taxes recovered (paid)	**3,529**	(718)	**(792)**	(500)	**2,737**	(1,218)
Issuance of senior unsecured debentures	**65,000**	—	**—**	—	**65,000**	—
Long-term debt repayment	**(113,135)**	(500)	**—**	—	**(113,135)**	(500)
Subordinated debt – Series "C"	**48,500**	—	**—**	—	**48,500**	—
Cash receipt from termination of pension plan	**5,397**	—	**—**	—	**5,397**	—
Deferred financing charges	**(1,490)**	—	**—**	(167)	**(1,490)**	(167)
Distributable cash flow from operations	**$28,088**	$18,179	**$19,934**	$19,540	**$48,022**	$37,719
Paid to the Fund:						
Subordinated interest	**29,251**	14,909	**19,950**	18,500	**49,201**	33,409
Dividend	**—**	2,800	**—**	—	**—**	2,800
Working capital (usage) provision	**$ (1,163)**	$ 470	**$ (16)**	$ 1,040	**$ (1,179)**	$ 1,510

* For the period from March 8, 2002 to September 30, 2002.

Lantic's distributable cash flow from operations was $28.1 million, while $29.3 million of interest payments were made to the Fund. The shortfall of $1.2 million was paid from cash-on-hand resulting from last year's excess distributable cash of $0.5 million and the working capital reserve.

There were a number of one-time items that impacted Lantic's distributable cash in 2003. Under term loan and debenture interest, a net amount of $2.3 million was added for the Swap entered into prior to the closing of the $65.0 million debenture. This amount is being amortized to expense over the 5-year term of the debenture.

An income tax refund of almost $4.0 million was received during the year, following the refiling of previous years' tax returns. This resulted in a net tax receipt of $3.5 million in fiscal 2003.

In fiscal 2000, one of Lantic's pension deferred benefit plans was terminated and the surplus of the plan at that time was shared with the plan's participants. An amount of $5.4 million was received in fiscal 2003, representing Lantic's share of the surplus.

Lastly, its term loans of $113.1 million were refinanced utilizing the proceeds from the issuance of $65.0 million in debentures and $48.5 million of Series "C" subordinated notes. This reduced term loan and debenture interest, but increased subordinated note interest. Financing charges of $1.5 million were incurred in the negotiation of the debentures and a new banking credit agreement.

Rogers' distributable cash flow was slightly higher than the previous year as a result of lower interest costs incurred on the working capital facility, and slightly lower spending on capital projects than the previous year due to timing. Interest payments made to the Fund were higher in fiscal 2003, reflecting a full year's payment on Series "A" and "B" subordinated notes issued during fiscal 2002.

LIQUIDITY AND CAPITAL RESOURCES

Rogers and Lantic each have an authorized line of credit of $50.0 million available to finance their operations. At year-end, no amount was drawn from the working capital facilities and Rogers had $19.1 million cash available, while Lantic had $6.1 million of cash available.

Cash requirements for working capital and other capital expenditures are expected to be paid from available cash resources and from funds generated from operations.

ENVIRONMENT

Both Lantic's and Rogers' policy is to meet all applicable government requirements with respect to environmental matters. In fiscal 2003, Rogers implemented a water-cooling device to remediate water discharged from the Vancouver refinery, in excess of limits in the Company's permit. Management believes that the Company is now in compliance in all material respects with environmental laws and regulations.

In 2000, Lantic ceased operations at its sugar refinery in Saint John, New Brunswick, which it had owned and operated for over 80 years. Soil and groundwater contamination, primarily from trace metals and petroleum hydrocarbons were discovered at this facility. Over the course of the last three years, groundwater at the facility has been monitored and free petroleum products have been removed from the subsurface by a groundwater pumping system. Most of the asbestos has been removed from the facility. In October 2003, Lantic concluded an agreement with the City of Saint John for the sale of the former site of the Saint John refinery. The agreement provides that the purchaser will receive a determined compensation from Lantic for the cost of demolishing the buildings and the carrying out of any required environmental remediation work. The compensation amount has been fully provided for in the financial statements of Lantic.

Rogers', through its inactive subsidiary, Chatterton Petrochemical Corporation ("Chatterton") and its former subsidiary Kalama Chemical, Inc. ("Kalama"), previously managed the production and sale of specialty chemicals in Canada and the United States. Chatterton ceased operations in June 1992, and Kalama was sold in May 1994.

In 1997, OMI Lantic Holdings, BAI Lantic Holdings (collectively "Lantic Holdings Companies") and Lantic Real Property Limited Partnership ("Lantic Realco") provided a joint and several indemnity in favour of Rogers against any claim imposing liability under environmental law, resulting from the presence, discharge, release or threatened release of any hazardous substance at any of the Kalama properties or the Chatterton property, and any claims relating to environmental matters arising under the Kalama sale agreement. In arrangements entered into in fiscal 2000, Lantic Realco agreed that, prior to the completion of the cleanup of the Chatterton property and the termination or defeasance of the obligations of Rogers with respect to environmental matters under the Kalama sale agreement, (i) it would not use its assets except for specified purposes, including remediation of the properties related to Kalama and Chatterton, and (ii) upon the sale of the Chatterton property, it would deposit $11.3 million in a trust fund to be used solely to satisfy Lantic Realco's obligations to pay amounts to Rogers under the indemnity. After the said cleanup and termination or defeasance, Lantic Realco may reduce the said trust to $4.0 million to be held for the same purposes unless released by the Rogers Board. Neither the cleanup of the Chatterton property, nor the termination or defeasance of Roger's environmental obligations under the Kalama sale agreement, has occurred.

Management monitors, on an ongoing basis, estimates of the cost to Rogers to cleanup the Kalama properties and the Chatterton property, and to deal with certain previously disclosed claims by the purchaser of Kalama. In addition to the indemnity from Lantic Holdings and Lantic Realco and the supporting arrangements referred to above, Rogers has access to a significant trust fund to pay costs related to cleanup covered by the indemnity. This trust fund was established in 1994 upon the sale of Kalama to a third party. As well, a settlement was reached with the former owner of the Chatterton property under which the former owner released its claim to recover the 50% of cleanup costs it had paid, and paid $1.5 million into an escrow to be available to Lantic Realco upon the conclusion of the cleanup of the Chatterton property. In the Settlement Agreement, the former owner was released by Rogers, Chatterton, Lantic Holdings, Lantic Realco and its affiliates from substantially all further environmental liability relating to the Chatterton property and was indemnified by Lantic Realco and an affiliate of Lantic Realco from such liability.

The Lantic Holdings Companies also obtained for Rogers in 1997 a $50.0 million insurance policy to cover 90% of the cleanup costs in excess of the cleanup cost estimated in 1997 for three former Kalama properties, four Kalama superfund sites and Chatterton property. The insurance policy remains in force until December 31, 2004 for all sites and, thereafter, only for any of the three former Kalama properties and the Chatterton property, with a government approved remediation plan. Such an approved plan exists for one of the Kalama properties and this is the only site where cleanup costs have, to date, exceeded the cleanup cost estimated at the time that the insurance was acquired and most of the claims against the policy were paid by the insurer with respect to that site. Rogers' potential liability under the Kalama sale agreement for the three superfund sites terminates in May, 2004.

With the environmental indemnity and recourse to the other funding sources referenced above, Rogers' management believes Rogers has no significant risk of material loss or expense as a result of historic environmental issues relating to the Kalama or Chatterton properties or to the Kalama Sale Agreement. The indemnity also applies for up to 10 years to clean up costs imposed by law for contamination at the Vancouver refinery existing at October 8, 1997. Rogers' Vancouver facility has a lenghty history of industrial use and fill materials have been used on the property in the normal course of business. No assurance can be given that material expenditures will not be required in connection with contamination from such industrial use or fill materials.

RISK FACTORS

Lantic's and Rogers' businesses and operations are substantially affected by many factors, including prevailing margins on refined sugar, weather conditions, their ability to market sugar competitively, operating costs and government programs and regulations.

Fluctuations in margins

Lantic's and Rogers' profitability are principally affected by the margins on domestic refined sugar. In turn, this price is affected by a variety of market factors such as competition, government regulations and foreign trade policies. Rogers, through the United States specific quota sells approximately 10,000 metric tonnes per year in the United States. Fluctuations in the Canadian dollar will impact the profitability of these sales. Except for this quota, which can only be supplied by Rogers' Taber beet plant, most sales are in Canada and are therefore not exposed to foreign exchange movements.

Weather and other factors related to production

Sugar beets, as with most other crops, are affected by weather conditions during the growing season. Additionally, weather conditions during the processing season could affect Rogers' sugar yield of beets stored for processing. A significant reduction in the quantity or quality of sugar beets harvested due to adverse weather conditions, disease or other factors could result in decreased production, with negative financial consequences to Rogers.

Competition

Lantic and Rogers face competition from Redpath Sugars and other producers and smaller regional distributors of both foreign and domestic refined sugar from other regions. Differences in proximity to various geographic areas within Canada and elsewhere result in differences in freight and shipping costs, which in turn affect pricing and competitiveness in general.

In addition to sugar, the overall sweetener market also includes corn-based sweeteners, such as high fructose corn syrup ("HFCS"), an alternative liquid sweetener, which can be substituted for liquid sugar in soft drinks and certain other applications, and non-nutritive, high-intensity sweeteners such as Aspartame. Differences in functional properties and prices have tended to define the use of these various sweeteners. For example, HFCS is limited to certain applications where a liquid sweetener can be used. Non-nutritive sweeteners presently do not provide the bulk and other physical properties of sugar. Although the various sweeteners are not interchangeable in all applications, the substitution of other sweeteners for sugar has occurred in certain products, such as soft drinks. We are not able to predict the availability, development or potential use of these sweeteners and their possible impact on the operations of Lantic and Rogers.

Operating costs

Lantic and Rogers use large quantities of energy, principally natural gas, in their operations. Moreover, Rogers' beet plant in Taber, Alberta uses larger quantities of energy in its operations than Rogers' cane facility in Vancouver and Lantic's cane facility in Montreal, principally as a result of the need to heat the cossettes (which are slices of beet sugar), to evaporate water from juices containing sugar and to dry the wet beet pulp. Changes in the costs and sources of energy may affect the financial results of Lantic's and Rogers' operations. Lantic and Rogers hedge natural gas prices through the use of natural gas futures to lessen the impact of fluctuations in the price of natural gas.

Government regulations and foreign trade policies

In July of 1995, Revenue Canada made a preliminary determination that there was dumping of refined sugar from the United States, Denmark, Germany, the United Kingdom, the Netherlands and the Republic of Korea, and that subsidized refined sugar was being imported into Canada from the United States and European Union countries.

The Canadian International Trade Tribunal reviewed the case and ruled that: (a) sugar was being dumped from the United States, Denmark, Germany, the United Kingdom and the Netherlands; (b) sugar was being subsidized from the European Union; and (c) the actions were threatening material injury to the Canadian sugar industry. The ruling resulted in the imposition of duties by Revenue Canada. Under Canadian law, these duties must be reviewed every five years. On November 3, 2000, the Canadian International Trade Tribunal continued for a further five years the anti-dumping and countervailing duties imposed on imports of refined sugar from the United States and the European Union.

The duties are important to Lantic and the Canadian sugar refinery industry because they protect the market from the adverse effect of unfairly traded imports from these sources. Although some changes have occurred in the United States and European Union sugar programs since 1995, they have not materially affected the factors that originally created the dumping and subsidization. There is no assurance that in 2005, these duties will be continued for a further five years.

In April 2001, the Canadian government signed a bilateral free trade agreement with Costa Rica, which includes the phase-out of the present 8% (approximately $30 per tonne) duty on imports of refined sugar to Canada. In 2003, Costa Rica gained duty free access for 20,000 tonnes of refined sugar to Canada, gradually increasing to 40,000 tonnes in 2010. This poses a potential threat to Lantic and Rogers and the other major Canadian refiner who did not receive meaningful access to the Costa Rican market and will be left with no protection against such imports. On November 21, 2001, the Canadian government started free trade bilateral negotiations with the CA-4 countries: Guatemala, Nicaragua, Honduras and El Salvador. Lantic and Rogers oppose any inclusion of refined sugar in such negotiations such as the one with Costa Rica. Lantic and Rogers are informing government officials of the dangers and risks to the Canadian sugar industry of offering a free trade agreement similar to the one entered into with Costa Rica to the CA-4 countries. There can be no assurance that these efforts will be successful.

Employee relations

The majority of Lantic's and Rogers' operations are unionized. Strikes or lockouts could restrict their ability to service their customers in the affected regions, consequently affecting their revenues.

Environmental matters

The operations of both Lantic and Rogers are subject to environmental regulations imposed by federal, provincial and municipal governments in Canada, including those relating to the treatment and disposal of waste water and cooling water, air emissions, contamination and spills of substances. Management believes that the Company is now in compliance in all material respects with environmental laws and regulations. However, these regulations have become progressively more stringent and Lantic and Rogers anticipate that trend continuing, potentially resulting in the incurrence of material costs to achieve and maintain compliance. Violation of these regulations can result in fines or other penalties, which in certain circumstances can include cleanup. As well, liability to characterize and cleanup or otherwise deal with contamination on or from properties owned, used or controlled by Lantic or Rogers currently or in the past or produced by the operations of either of them can be imposed by environmental regulators or third parties. No assurance can be given that any such liabilities will not be material.

OUTLOOK

We expect the demand for refined sugar in Canada to continue to grow as it has over the past few years.

The demand for industrial sugar products in eastern Canada continues to be strong. However, by the end of the first quarter, a new competitor, with facilities recently constructed in Saint John, New Brunswick, will likely be marketing refined sugar in Eastern Canada. This new competition may negatively impact the future volume and margins earned by Lantic and may therefore reduce Lantic's overall profitability. Initiatives to protect our market share will be aggressively pursued.

In Western Canada, Costa Rica has been promoting their sugar products in relation to their duty free access gained in January 2003 from the bilateral free trade agreement signed in April 2001. Rogers will continue to aggressively market its products and protect its market share. This may negatively impact the future volume and margins of Rogers.

In Taber, the yield per acre for the sugar beet crop to be processed in fiscal 2004 is forecast to be much better than in the previous year due mainly to good weather conditions during the growing season. This will result in increased tonnage in Taber and an increase in the overall per unit cost of production for Rogers as sugar beet processing cost is higher than sugar cane processing cost. However, this will also result in lower shipments from the Vancouver refinery to the Prairie markets, thus improving overall distribution costs.

A large portion of the natural gas to be used in fiscal 2004 was hedged in Summer 2003 at rates higher than in fiscal 2003, which will increase operating costs of the plants and lower gross margins.

It is also anticipated that Lantic and Rogers will invest additional funds in capital projects during fiscal 2004 focused on labour and energy efficiency initiatives. There are a number of projects that offer a high return and quick payback. The completion of those projects will further lower operating costs and therefore improve Lantic and Rogers competitiveness.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying consolidated financial statements (the "financial statements") of Rogers Sugar Ltd. and all the information in this annual report pertaining to Rogers Sugar Ltd. are the responsibility of management and have been approved by the Board of Directors.

The financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles. When alternative accounting methods exist, management has chosen those it deems most appropriate in the circumstances. Financial statements are not precise since they include certain amounts based on estimates and judgements. Management has determined such amounts on a reasonable basis in order to ensure that the financial statements are presented fairly in all material respects. Management has prepared the financial information of Rogers Sugar Ltd. presented elsewhere in the annual report and has ensured that it is consistent with the financial statements of the Company.

Rogers Sugar Ltd. maintains systems of internal accounting and administrative controls of high quality, consistent with reasonable cost. Such systems are designed to provide reasonable assurance that the financial information is relevant, reliable and accurate and that the Company's assets are appropriately accounted for and adequately safeguarded.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the financial statements of the Company. The Board carries out this responsibility through its Audit Committee.

The Audit Committee is appointed by the Board and the majority of its members are outside and unrelated directors. The committee meets with management, as well as external auditors, to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues, to satisfy itself that each party is properly discharging its responsibilities and to review the annual report, the financial statements and the external auditors' report. The committee reports its findings to the Board for consideration when approving the financial statements for issuance to the shareholders. The committee also considers, for review by the Board and approval by the shareholders, the engagement or reappointment of the external auditors.

The financial statements of the Company have been audited by KPMG LLP, the external auditors, in accordance with Canadian generally accepted auditing standards on behalf of the shareholders. KPMG LLP has full and free access to the Audit Committee.

Pierre G. Côté
President and
Chief Executive Officer

Daniel L. Lafrance
Senior Vice-President
Finance / Procurement
Chief Financial Officer
and Secretary

October 31, 2003

AUDITORS' REPORT TO THE SHAREHOLDERS

We have audited the consolidated balance sheets of Rogers Sugar Ltd. as at September 30, 2003 and 2002 and the consolidated statements of operations, deficit and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at September 30, 2003 and 2002 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

KPMG LLP
Chartered Accountants

Montreal, Canada
October 31, 2003

CONSOLIDATED BALANCE SHEETS

September 30, 2003 and 2002
(in thousands of dollars)

	2003	2002
Assets		
Current assets:		
Cash and cash equivalents	**$ 19,140**	$ 25,727
Accounts receivable (note 2)	**17,158**	14,227
Inventories (note 3)	**12,791**	10,998
Prepaid expenses	**818**	652
Advances to beet growers	**621**	—
Future income taxes (note 14)	**1,466**	1,527
	51,994	53,131
Capital assets (note 4)	**77,208**	79,197
Notes receivable (notes 5 and 11)	**44,500**	178,000
Future income taxes (note 14)	**5,886**	5,314
Deferred financing charges	**552**	872
Defined benefit pension plan asset (note 6)	**3,269**	4,812
Goodwill	**161,804**	161,804
	$345,213	$ 483,130
Liabilities and Deficiency in Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	**$ 13,243**	$ 15,536
Due to Rogers Sugar Income Fund (note 8)	**4,994**	4,819
Accrued liability to beet growers	**—**	659
	18,237	21,014
Other employee future benefits (note 6)	**5,596**	5,196
Long-term debt (note 9)	**100,000**	100,000
Subordinated notes (note 10)	**310,761**	310,761
Redeemable Class A and B special shares (note 11)	**44,500**	178,000
	479,094	614,971
Deficiency in shareholders' equity:		
Share capital (note 12)	**102,701**	102,701
Deficit	**(236,582)**	(234,542)
	(133,881)	(131,841)
Contingency (note 17)		
	$345,213	$ 483,130

See accompanying notes to consolidated financial statements.

On behalf of the Board:

Dallas H. Ross
Director

James S.A. MacDonald
Director

CONSOLIDATED STATEMENTS OF OPERATIONS

Years ended September 30, 2003 and 2002 (in thousands of dollars)	2003	2002
Revenues	$ 167,617	$ 162,559
Cost of sales (note 3)	123,301	119,013
Gross margin	44,316	43,546
Expenses (income):		
Distribution	9,263	7,382
Management and services outsourcing fees (note 15)	4,850	4,790
Other	(49)	250
	14,064	12,422
Earnings before interest, provision for income taxes and depreciation and amortization	30,252	31,124
Depreciation and amortization (note 13)	3,938	3,970
Earnings before interest and provision for income taxes	26,314	27,154
Interest on long-term debt and subordinated notes	28,120	26,649
Other interest (income) expense	(372)	467
	27,748	27,116
(Loss) earnings before provision for income taxes	(1,434)	38
Provision for income taxes (note 14):		
Current	1,117	1,081
Future	(511)	(39)
	606	1,042
Net loss	$ (2,040)	$ (1,004)

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF DEFICIT

Years ended September 30, 2003 and 2002 (in thousands of dollars)	2003	2002
Deficit, beginning of year	$(234,542)	$(233,538)
Net loss	(2,040)	(1,004)
Deficit, end of year	$(236,582)	$(234,542)

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended September 30, 2003 and 2002
(in thousands of dollars)

	2003	2002
Cash flows from operating activities:		
Net loss	$ (2,040)	$ (1,004)
Adjustments for items not involving cash:		
Depreciation and amortization	3,938	3,970
Future income taxes	(511)	(39)
Employee future benefits	1,943	870
	3,330	3,797
Changes in non-cash operating working capital:		
Accounts receivable	(2,931)	9,610
Inventories	(1,793)	(1,571)
Prepaid expenses	(166)	(80)
Accounts payable and accrued liabilities and other	(2,019)	823
Accrued liability to beet growers	(1,280)	2,139
	(8,189)	10,921
	(4,859)	14,718
Cash flows from financing activities:		
Decrease in bank overdraft and revolving credit facility	—	(19,023)
Increase in deferred financing charges	—	(167)
Issuance of subordinated notes	—	32,500
	—	13,310
Cash flows from investing activities:		
Additions to capital assets	(1,728)	(2,301)
Net change in cash and cash equivalents	(6,587)	25,727
Cash and cash equivalents, beginning of year	25,727	—
Cash and cash equivalents, end of year	$19,140	$25,727
Supplemental disclosure:		
Interest paid	$27,578	$26,801
Income taxes paid	792	500
Capital assets included in accounts payable and accrued liabilities	244	343
Redemption of Class A shares in exchange of notes receivable	133,500	—

See accompanying notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended September 30, 2003 and 2002

Rogers Sugar Ltd. (the "Company") has been in the sugar business since 1890 and is a refiner, processor, distributor and marketer of sugar products in Western Canada. The Company supplies refined sugar in Western Canada and has two sugar processing facilities, a cane sugar refinery in Vancouver, British Columbia and a beet sugar processing facility in Taber, Alberta. The Company's sugar products are marketed primarily under the "Rogers" trade name and include granulated, icing, cube, yellow and brown sugars, liquid sugars and specialty syrups.

1
SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of presentation:
The financial statements include the accounts of the Company's subsidiaries, all of which are inactive.

(b) Cash and cash equivalents:
Cash and cash equivalents include cash on hand, bank balances and short-term liquid investments with maturities of three months or less, and bank overdraft when the latter forms an integral part of the Company's cash management.

(c) Inventories:
Cane sugar inventory is valued at the lower of cost and net realizable value adjusted for unrealized gains or losses on forward sugar purchase and sale commitments. A base quantity of 25,000 tons of cane sugar is valued at $85 per ton, which is less than market value. Beet sugar inventory and all other inventories are valued at the lower of cost and net realizable value.

The Company, in the normal course of business, enters into commodities futures contracts and options on futures markets for the purpose of hedging its foreign exchange exposure for cane sugar purchases and sales commitments. These futures contracts and options are accounted for as hedges and, accordingly, all hedging gains and losses on inventories and sales contracts are recognized in cost of sales.

(d) Capital assets:
Capital assets are carried at cost. Depreciation is provided over the estimated useful life of the related asset. Capital assets are depreciated or amortized on a straight-line basis using the following annual rates:

Asset	Rate
Buildings and improvements	2.5 %
Plant and equipment	5 %
Furniture and fixtures	20 %

Improvements that increase or prolong the service life or capacity of an asset are capitalized. Maintenance and repair costs are expensed as incurred.

(e) Goodwill:
Goodwill is not amortized and is tested for impairment annually, or more frequently if events or changes in circumstances indicate that the asset might be impaired. The impairment test is carried out in two steps. In the first step, the carrying amount of the Company is compared with its fair value. When the fair value exceeds its carrying amount, goodwill is considered not to be impaired, and the second step of the impairment test is unnecessary. The second step is carried out when the carrying amount of a reporting unit exceeds its fair value, in which case the implied fair value of the goodwill is compared with its carrying amount to measure the amount of the impairment loss, if any.

(f) Income taxes:
The Company follows the asset and liability method for accounting for income taxes. Under the asset and liability method, the change in the net future tax asset and liability is to be included in income. Future tax assets and liabilities are measured using enacted or substantially enacted tax rates expected to apply to taxable income in the years in which temporary differences are expected to be recovered or settled.

1
SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Employee future benefits:
The Company has defined benefit pension plans covering substantially all of its employees. The benefits are based on years of service and the employee's compensation. The Company also sponsors defined benefit life insurance, disability plans and medical benefits for substantially all retirees and employees.

The Company accrues its obligations under employee benefit plans as the employees render the services necessary to earn pension and other employee future benefits.

The Company has adopted the following policies:

- The cost of pensions and other retirement benefits earned by employees is actuarially determined using the projected benefit method pro rated on service and management's best estimate of expected plan investment performance, salary escalation, retirement ages and expected health care costs.
- For the purpose of calculating the expected return on plan assets, those assets are valued at fair value.
- Past service costs from plan amendments are amortized on a straight-line basis over the average remaining service period of employees active at the date of the amendment.
- The excess of the net actuarial gain (loss) over 10% of the greater of the benefit obligation and the fair value of plan assets is amortized over the average remaining service period of active employees.

(h) Foreign currency translation:
Foreign currency transactions are translated using the temporal method. Gains or losses resulting from these translations are reflected in net earnings of the period. Foreign denominated assets and liabilities are translated at the rate of exchange in effect at the balance sheet date. Revenues and expenses are translated at the rate in effect on the dates they occur.

(i) Deferred financing charges:
Deferred financing charges reflect the cost to obtain new credit facilities and are amortized on a straight-line basis over the term of the related indebtedness.

(j) Revenue recognition:
Revenue is recognized at the time sugar products are shipped to customers. Provision is made for expected sales returns and allowances at the time of shipment.

(k) Use of estimates:
The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant areas requiring the use of management estimates are related to the valuation of inventories, determination of valuation allowance, environmental provisions, the determination of recoverability of capital assets and the rates for depreciation and amortization. Actual results could differ from those estimates.

2
ACCOUNTS RECEIVABLE

(in thousands of dollars)	2003	2002
Trade	**$13,731**	$13,363
Receivable from commodity brokers	**2,598**	303
Other	**829**	561
	$17,158	$14,227

3
INVENTORIES

In 2002, the Company revised its nominal base quantity of cane sugar from 35,000 tons to 25,000 tons, which is valued at $85 per ton. The decrease in the base quantity resulted in a gain of approximately $2.6 million which was applied against cost of sales.

4
CAPITAL ASSETS

(in thousands of dollars)			2003	2002
	Cost	Accumulated depreciation and amortization	Net book value	Net book value
Land	$15,790	$ —	$15,790	$15,790
Buildings and improvements	13,421	1,659	11,762	11,903
Plant and equipment	63,840	14,849	48,991	50,927
Furniture and fixtures	1,511	1,250	261	234
Construction in progress	404	—	404	343
	$94,966	$17,758	$77,208	$79,197

5
NOTES RECEIVABLE

The notes receivable represent the proceeds from the sale of investment in Lantic Sugar Limited and Refined Sugars Inc., then wholly-owned subsidiaries of the Company, on October 8, 1997 prior to the acquisition of the Company by Rogers Sugar Income Fund ("RSIF").

The notes bear no interest and have no fixed terms of repayment, except that they can be used to redeem the Class A and B special shares.

In 2003, 133,500,000 of the notes receivable were used to redeem the Class A special shares (see note 11).

6
EMPLOYEE FUTURE BENEFITS

The Company sponsors a non-contributory defined pension plan for its salaried employees, as well as health care benefits, medical plans and life insurance coverage.

The significant actuarial assumptions adopted in measuring the Company's accrued benefit obligations are as follows:

	Pension benefit plan		Other benefit plans	
	2003	2002	2003	2002
Discount rate	6.00%	6.50%	6.0%	6.75%
Expected long-term rate of return on plan assets	7.00%	7.00%	N/A	N/A
Rate of compensation increase	3.50%	4.50%	3.50%	4.50%

The assumed health care cost trend rate at September 30, 2003 was 4.7% (2002 - 5.5%) decreasing to 4.2% (2002 - 4.2%) in 2005.

6
EMPLOYEE FUTURE BENEFITS (CONTINUED)

The Company's net benefit plan expense is as follows:

(in thousands of dollars)	Pension benefit plan		Other benefit plans	
	2003	2002	**2003**	2002
Current service cost	**$ 607**	$ 512	**$ 172**	$ 123
Interest cost	**2,191**	2,185	**454**	347
Expected return on plan assets	**(1,954)**	(2,232)	**—**	—
Amortization of past service cost	**229**	229	**—**	—
Amortization of actuarial loss	**470**	6	**63**	—
Net benefit plan expense	**$ 1,543**	$ 700	**$ 689**	$ 470

Information about the Company's defined benefit plans is as follows:

	Pension benefit plan		Other benefit plans	
	2003	2002	**2003**	2002
Accrued benefit obligation:				
Balance at beginning of year	**$34,703**	$33,208	**$ 6,745**	$ 4,980
Current service cost	**607**	512	**172**	123
Interest cost	**2,191**	2,185	**454**	347
Benefits paid	**(2,743)**	(2,342)	**(289)**	(304)
Actuarial losses	**977**	993	**2,230**	1,599
Employee contributions	**110**	147	**—**	—
Balance at end of year	**$ 35,845**	$34,703	**$ 9,312**	$ 6,745
Plan assets:				
Fair value at beginning of year	**$29,220**	$32,985	**$ —**	$ —
Actual return on plan assets	**3,789**	(1,570)	**—**	—
Employer contributions	**—**	—	**289**	304
Employee contributions	**110**	147	**—**	—
Benefits paid	**(2,743)**	(2,342)	**(289)**	(304)
Balance at end of year	**$ 30,376**	$29,220	**$ —**	$ —
Funded status – plan deficit	**$ (5,469)**	$ (5,483)	**$(9,312)**	$(6,745)
Unamortized net actuarial losses	**6,847**	8,175	**3,716**	1,549
Unamortized past service cost	**1,891**	2,120	**—**	—
Accrued benefit asset (liability)	**$ 3,269**	$ 4,812	**$ (5,596)**	$(5,196)

7
BANK OVERDRAFT AND REVOLVING CREDIT FACILITY

The Company has a revolving credit facility with a Canadian chartered bank which extends to August 25, 2004. The revolving credit facility is for the Company's operations and drawdowns are subject to certain restrictions. This facility is secured by the accounts receivable and inventories.

The credit facility bears interest at prime rate plus 0.25% to 0.75% or Bankers' Acceptance rate plus 1.0% to 1.75% determined on the basis of meeting a financial ratio, and a standby fee of 0.20% to 0.375%. The revolving credit facility is subject to extension at terms to be agreed upon with the lenders. The interest rate for the year was approximately 4.5% (2002 - 6.25%).

8
DUE TO ROGERS SUGAR INCOME FUND

The amount due to Rogers Sugar Income Fund represents the interest accrued on the subordinated notes.

9
LONG-TERM DEBT

(in thousands of dollars)	2003	2002
Debentures	**$100,000**	$100,000

The debentures have an annual interest rate yield of 8.173% and interest is payable quarterly in arrears. The debentures mature on August 26, 2005, at which point repayment of principal is due in full. The long-term debt is secured by all the assets of the Company, except accounts receivable and inventories which serve as security for the revolving credit facility (note 7).

10
SUBORDINATED NOTES

(in thousands of dollars)	2003	2002
Issued in 1997	**$278,261**	$278,261
Issued in 2002:		
Series "A" notes	**7,500**	7,500
Series "B" notes	**25,000**	25,000
	32,500	32,500
	$310,761	$310,761

All of the notes are held by RSIF. The subordinated notes issued in 1997 bear interest at a variable interest rate based on the Company's earnings before interest, taxes, depreciation and amortization and working capital requirements subject to a ceiling of 11.5%, and a floor of 6.0% per annum. The Series "A" and Series "B" notes are unsecured and bear interest at 10% per annum. The subordinated notes and the Series "A" and Series "B" notes are due on October 15, 2027.

11
REDEEMABLE CLASS A AND B SPECIAL SHARES

(in thousands of dollars)	2003	2002
133,500,000 Class A special shares	**$ —**	$133,500
44,500,000 Class B special shares	**44,500**	44,500
	$44,500	$178,000

Class A shares, non-voting, no dividend.

Class B shares voting, on a pro rata basis equal to 10.01% of the voting trust agreement between Balaclava Acquisition Inc. and RSIF. RSIF is entitled to vote the Class B shares.

The redeemable Class A and Class B special shares are retractable and can be settled at the Company's option by delivery of the Notes receivable having respective face values of $133.5 million and $44.5 million.

In 2003, the Company redeemed the 133,500,000 Class A special shares for a value of $133,500,000. The aggregate redemption amount of the Class A special shares is equal to the aggregate principal amount of the demand non-interest bearing note in the principal amount of $133,500,000 held by the Company under Notes receivable (note 5).

12
SHARE CAPITAL

(in thousands of dollars)	2003	2002
Issued:		
41,504,800 common shares	$102,701	$102,701
1 Class C share	—	—
	$102,701	$102,701

Authorized common shares, unlimited, voting, held by RSIF.

The Class C share is redeemable by the Company for $1 upon the termination of the Governance Agreement. The Class C share entitles the holder to elect five of the seven directors of the Company, but has no other voting rights at any meetings of shareholders of the Company, except as may be required by law.

13
DEPRECIATION AND AMORTIZATION

Depreciation and amortization are comprised of the following:

(in thousands of dollars)	2003	2002
Depreciation of capital assets	$3,618	$3,675
Amortization of deferred financing charges	320	295
	$3,938	$3,970

14
INCOME TAXES

The provision for income taxes differs from the amount computed by applying the Canadian federal and provincial rates to loss before provision for income taxes. The reasons for the difference and the related tax effects are as follows:

(in thousands of dollars)	2003	2002
(Loss) earnings before provision for income taxes	$(1,434)	$ 38
Expected rate	35%	35%
Expected (recovery) expense	(502)	13
Adjustments:		
Large corporation tax	679	600
Other differences	429	429
Provision for income taxes	$ 606	$1,042

The future income tax assets comprise the following temporary differences:

	2003	2002
Current:		
Inventory reserve	$1,466	$1,527
Long-term:		
Capital assets	$4,533	$3,245
Losses carried forward	508	1,916
Employee future benefits	845	153
	$5,886	$5,314

No valuation allowance was recorded for the current and long-term future income tax assets.

15
RELATED PARTY TRANSACTIONS

Related party transactions are recorded at the amount of consideration established and agreed to by the related parties.

Transactions and balances with related parties are as follows:

(in thousands of dollars)	**2003**	2002
Lantic Sugar Limited ("Lantic"):		
Management and services outsourcing fees	**$ 4,850**	$ 4,790
Sales	**4,357**	3,997
Purchases	**977**	31
Accounts receivable	**376**	260
Accounts payable	**58**	299
Rogers Sugar Income Fund:		
Interest expense on subordinated notes	**19,950**	18,500

Management Agreement
Lantic provides strategic management services to the Company. The initial term of the Management Agreement, which may be terminated by the Company under certain circumstances, is for 15 years ending October 8, 2012, renewable thereafter for successive five-year terms and provides for an annual fee of $300,000.

Services Outsourcing Agreement
Lantic provides the Company with selling, general and administrative services other than services relating to distribution cost. The initial term of the Outsourcing Agreement, which may be terminated by the Company under certain circumstances, is 15 years ending October 8, 2012, renewable thereafter for successive five-year terms and provides for an annual fee of $4.1 million, adjusted for fluctuations in the consumer price index.

16
FINANCIAL INSTRUMENTS

(a) Current assets and liabilities:

Fair value estimates are made as of a specific point in time, using available information about the financial instrument. These estimates are subjective in nature and often cannot be determined with precision.

The carrying value of financial instruments in current assets and current liabilities approximates their fair values based on the short-term maturity of those instruments.

(b) Long-term debt and subordinated notes:

Long-term debt is recorded on the balance sheet at a cost amount of $100 million as at September 30, 2003 (2002 - $100 million) with an approximate fair market value of $103 million (2002 - $116 million). The fair value of the long-term debt was calculated using the present value of future payments of principal and interest discounted at the current market rates of interest available to the Company for the same or similar debt instruments with the same remaining maturities. The fair value of the subordinated notes is not practicable to determine given the many factors, terms and conditions that would influence such a determination.

(c) Foreign exchange contracts:

The Company's activities which result in exposure to fluctuations in foreign currency exchange rates consist of the purchasing of raw sugar, the selling of refined sugar and the purchase of natural gas. The Company manages this exposure by creating offsetting positions through the use of financial derivative instruments. These instruments include forward contracts, which are commitments to buy or sell at a future date, and may be settled in cash.

The credit risk associated with foreign exchange contracts arises from the possibility that a counterparty to a foreign exchange contract in which the Company has an unrealized gain fails to perform according to the terms of the contract. The credit risk is much less than the notional principal amount, being limited at any time to the change in foreign exchange rates attributable to the principal amount.

Forward foreign exchange contracts have maturities of less than two years and relate exclusively to U.S. currency. The counterparty to these contracts is a major Canadian financial institution. The Company does not anticipate any material adverse effect on its financial position resulting from its involvement in these types of contracts, nor does it anticipate non-performance by the counterparties.

16
FINANCIAL INSTRUMENTS (CONTINUED)

The Company's foreign currency forward contracts by currency, as well as the unrealized gain or loss on such contracts relating to the purchase of raw sugar, the sale of refined sugar and the purchase of natural gas, at September 30, 2003 and 2002, are as follows:

(in thousands of dollars)	2003		2002	
Foreign currency contracts	**Forward contracts**	**Unrealized gain (loss)**	Forward contracts	Unrealized gain (loss)
	(US$)	**(CA$)**	(US$)	(CA$)
Purchases – US dollars	**$22,711**	**$ (1,666)**	$18,227	$352
Sales – US dollars	**47,778**	**307**	34,478	(101)
		$ (1,359)		$251

(d) Future gas hedging program:
The Company established a hedging program to mitigate the effects of gas price changes on its operating margins and overall profitability. The Company also monitors its hedging positions and the credit ratings of its counterparties and does not anticipate losses due to counterparty non-performance. At September 30, 2003, the Company has hedged a portion of the estimated fiscal 2004 gas consumption and outstanding gas futures had an unrealized loss position of approximately $1,600,000 (2002 - unrealized gain of $1,180,000).

(e) Credit risk:
The Company grants credit to its customers under the ordinary course of business. Concentrations of credit risk are limited due to the broad base of consumers and their dispersion across different market segments.

17
CONTINGENCY

Environmental matters

The Company is subject to laws and regulations concerning the environment and to the risk of environmental liability inherent to its activities relating to its past and present operations. In addition, certain inactive subsidiaries and former subsidiaries are or could be named party to certain claims in respect of environmental matters. The Company has obtained at the time of the acquisition by RSIF an environmental indemnification for matters existing as at October 8, 1997. The Company has also insurance to cover costs incurred for environmental matters. Although the effect on operating results and liquidity, if any, cannot be reasonably estimated, management believes, based on current information, that environmental matters will not have a material adverse effect on the Company's financial condition.

18
COMPARATIVE FIGURES

Certain of the 2002 comparative figures have been reclassified to conform with the current year's presentation.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

[illegible] of Lantic Sugar Limited [illegible] pertaining to Lantic Sugar [illegible] and have been [illegible] by the Board of Directors.

The financial statements have been prepared by management in [illegible] accepted accounting principles. [illegible] management has chosen [illegible] circumstances. Financial [illegible] material respects. Management [illegible] of Lantic Sugar Limited [illegible] and has ensured that it is consistent with the financial statements of the Company.

Lantic Sugar Limited maintains systems of internal accounting and administrative controls of high quality, consistent with reasonable cost. Such systems are designed to provide reasonable assurance that the financial information is relevant, reliable and accurate and that the Company's assets are appropriately accounted for and adequately safeguarded.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the financial statements of the Company. The Board carries out this responsibility through its Audit Committee.

The Audit Committee is appointed by the Board and the majority of its members are outside and unrelated directors. The committee meets with management as well as external auditors to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues, to satisfy itself that each party is properly discharging its responsibilities and to review the annual report, the financial statements and the external auditors' report. The committee reports its findings to the Board for consideration when approving the financial statements for issuance to the shareholders. The committee also considers, for review by the Board and approval by the shareholders, the engagement or reappointment of the external auditors.

The financial statements of the Company have been audited by KPMG LLP, the external auditors, in accordance with Canadian generally accepted auditing standards on behalf of the shareholders. KPMG LLP has full and free access to the Audit Committee.

Pierre G. Côté
President and
Chief Executive Officer

Daniel L. Lafrance
Senior Vice-President
Finance / Procurement
Chief Financial Officer
and Secretary

October 31, 2003

AUDITORS' REPORT TO THE SHAREHOLDERS

We have audited the balance sheets of [illegible] as at September 30, 2003 and 2002 and the statements of operations, deficit and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at September 30, 2003 and 2002 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

KPMG LLP
Chartered Accountants

Montreal, Canada
October 31, 2003

BALANCE SHEETS

Years ended September 30, 2003 and 2002
(in thousands of dollars)

	2003	2002
Assets		
Current assets:		
Cash and cash equivalents	$ 6,133	$ 11,491
Accounts receivable (note 3)	28,063	38,013
Income taxes recoverable	—	3,805
Inventories	26,731	23,331
Prepaid expenses	1,843	1,396
	62,770	78,036
Capital assets (note 4)	111,177	116,491
Other assets (note 5)	4,154	2,161
Goodwill	48,531	48,531
	$226,632	$245,219
Liabilities and Deficiency in Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	$ 15,498	$ 24,900
Due to Rogers Sugar Income Fund (note 7)	7,848	6,524
Income taxes payable	451	—
Future income taxes (note 11)	1,778	2,482
Current portion of long-term debt (note 9)	—	12,638
	25,575	46,544
Other employee future benefits (note 8)	8,468	6,715
Long-term debt (note 9)	65,000	100,497
Subordinated notes (note 10)	249,350	200,850
Future income taxes (note 11)	7,761	9,396
	356,154	364,002
Deficiency in shareholders' equity:		
Share capital (note 12)	146,118	146,118
Contributed surplus (note 12)	100,126	100,126
Deficit	(375,766)	(365,027)
	(129,522)	(118,783)
Commitments (note 15)	$226,632	$245,219

See accompanying notes to financial statements.

On behalf of the Board:

Dallas H. Ross
Director

James S.A. MacDonald
Director

STATEMENTS OF OPERATIONS

Years ended September 30, 2003 and 2002 (in thousands of dollars)	2003	2002	Period of March 8, 2002 to September 30, 2002 (note 1)
Revenues	**$256,863**	$258,950	$147,621
Cost of sales	**201,804**	195,399	108,371
Gross margin	**55,059**	63,551	39,250
Expenses:			
Administration and selling	**17,718**	15,955	9,741
Distribution	**5,040**	4,974	2,804
	22,758	20,929	12,545
Earnings before interest, provision for income taxes and depreciation and amortization	**32,301**	42,622	26,705
Depreciation and amortization	**8,664**	8,348	4,439
Earnings before interest and provision for income taxes	**23,637**	34,274	22,266
Interest on long-term debt and subordinated notes	**36,075**	25,740	20,352
Other interest (income) expense	**(201)**	354	123
	35,874	26,094	20,475
(Loss) earnings before provision for income taxes	**(12,237)**	8,180	1,791
Provision for (recovery of) income taxes (note 11):			
Current	**841**	(3,195)	(2,335)
Future	**(2,339)**	5,915	2,786
	(1,498)	2,720	451
Net (loss) earnings	**$ (10,739)**	$ 5,460	$ 1,340

See accompanying notes to financial statements.

STATEMENTS OF DEFICIT

Years ended September 30, 2003 and 2002 (in thousands of dollars)	2003	2002	Period of March 8, 2002 to September 30, 2002 (note 1)
Deficit, beginning of year	**$(365,027)**	$(211,837)	$(363,567)
Net (loss) earnings	**(10,739)**	5,460	1,340
Dividend paid	**—**	(2,800)	(2,800)
Corporate reorganization (note 1)	**—**	(155,850)	—
Deficit, end of year	**$(375,766)**	$(365,027)	$(365,027)

See accompanying notes to financial statements.

STATEMENTS OF CASH FLOWS

Years ended September 30, 2003 and 2002 (in thousands of dollars)	2003	2002	Period of March 8, 2002 to September 30, 2002 (note 1)
Cash flows from operating activities:			
Net (loss) earnings	$(10,739)	$ 5,460	$ 1,340
Adjustments for items not involving cash:			
Depreciation and amortization	8,664	8,348	4,439
Future income taxes	(2,339)	5,915	2,786
Employee future benefits	1,789	4,559	785
Other	232	311	238
	(2,393)	24,593	9,588
Changes in non-cash operating working capital:			
Accounts receivable	9,950	3,118	9,306
Income taxes	4,256	(4,372)	(2,450)
Inventories	(3,400)	(10,165)	(2,565)
Prepaid expenses	(447)	826	(319)
Accounts payable and accrued liabilities	(8,132)	742	5,385
Due to Rogers Sugar Income Fund	1,324	6,524	6,524
	3,551	(3,327)	15,881
	1,158	21,266	25,469
Cash flows from financing activities:			
Decrease in bank overdraft and revolving credit facility	—	(2,518)	(8,936)
Repayment of long-term debt	(113,135)	(46,915)	(500)
Issuance of subordinated notes	48,500	45,000	—
Issuance of senior secured debentures	65,000	(2,800)	(2,800)
Increase in deferred financing charges	(1,490)	(736)	—
Increase in other assets	(2,324)	—	—
	(3,449)	(7,969)	(12,236)
Cash flows from investing activities:			
Additions to capital assets	(3,067)	(3,395)	(1,742)
Net change in cash and cash equivalents	(5,358)	9,902	11,491
Cash and cash equivalents, beginning of year	11,491	1,589	—
Cash and cash equivalents, end of year	$ 6,133	$11,491	$11,491
Supplemental disclosure:			
Interest paid	$ 37,410	$18,702	$13,755
Income taxes (recovered) paid	(3,529)	1,518	718
Capital assets included in accounts payable and accrued liabilities	165	523	523
Forgiveness of accounts payable and accrued liabilities accounted for as an increase in contributed surplus	—	1,553	—
Carrying value of land applied against provision	912	—	—

See accompanying notes to financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended September 30, 2003 and 2002

Lantic Sugar Limited (the "Company") is one of two refiners in Eastern Canada and operates a cane sugar refinery in Montréal, Québec. The Company's sugar products are marketed primarily under the "Lantic" trade name and include granulated, icing, cube, liquid, yellow and brown sugars.

1
CORPORATE REORGANIZATION AND BASIS OF PRESENTATION

On March 8, 2002, the Unitholders of Rogers Sugar Income Fund (the "Fund") approved the acquisition of 100% of the common shares of 171266 Canada Inc. ("Lantic Investments") in exchange for the issuance of 35,500,000 units of the Fund.

Immediately thereafter, the Fund incorporated 3989536 Canada Inc. ("Lantic Holdings") and Lantic Holdings issued 1 Class "C" share to Lantic Capital Inc. entitling it to designate five of Lantic Holdings' seven directors in exchange for its Class "C" shares in Lantic Investments. The Fund sold its investment in Lantic Investments to Lantic Holdings in exchange for an unsecured subordinated note of Lantic Holdings in the amount of $155,850,000 bearing interest at 13.25%. Lantic Holdings and Lantic Investments were then merged to form Lantic Sugar Limited (the "Company"). While the Fund owns all of the common shares of the Company, the owner of the Class "C" share is entitled to designate five of the seven directors. Accordingly, the Company does not meet the definition of a subsidiary for accounting purposes and the Fund has accounted for this investment from the effective date of acquisition using the equity method.

Since the transactions between Lantic Holdings and Lantic Investments represent exchange of ownership interests between entities under common control, the financial statements of Lantic Sugar Limited reflect the assets and liabilities of Lantic Holdings and Lantic Investments at their net book values as reported in their historical financial statements. This explains the $155,850,000 increase in the deficit of Lantic Sugar Limited in fiscal 2002.

The additional unaudited statements of earnings and cash flows for the period of March 8, 2002 to September 30, 2002 are provided for the benefit of the unitholders of Rogers Sugar Income Fund.

2
SIGNIFICANT ACCOUNTING POLICIES

(a) Cash and cash equivalents:

Cash and cash equivalents includes cash on hand, bank balances and short-term liquid investments with maturities of three months or less, and bank overdraft when the latter forms an integral part of Company's cash management.

(b) Inventories:

Sugar inventory is valued at the lower of cost and net realizable value adjusted for unrealized gains or losses on forward sugar purchase and sale commitments.

The Company, in the normal course of business, enters into commodities futures contracts and options on futures markets for the purpose of hedging its inventory and related purchase and sale commitments. These futures contracts and options are accounted for as hedges and, accordingly, all hedging gains and losses on inventories and sales contracts are recognized in cost of sales.

All other inventories are valued at the lower of cost, determined on the first-in, first-out basis, and net realizable value.

(c) Capital assets:

Capital assets are carried at cost. Depreciation is provided over the estimated useful life of the related asset. Capital assets are depreciated or amortized on a straight-line basis using the following annual rates:

Asset	Rate
Buildings and improvements	2.5%
Plant and equipment	5%
Furniture and fixtures	20%

Improvements that increase or prolong the service life or capacity of an asset are capitalized. Maintenance and repair costs are expenses as incurred.

2
SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Goodwill:
Goodwill is not amortized and is tested for impairment annually, or more frequently if events or changes in circumstances indicate that the asset might be impaired. The impairment test is carried out in two steps. In the first step, the carrying amount of the Company is compared with its fair value. When the fair value exceeds its carrying amount, goodwill is considered not to be impaired, and the second step of the impairment test is unnecessary. The second step is carried out when the carrying amount of a reporting unit exceeds its fair value, in which case the implied fair value of the goodwill is compared with its carrying amount to measure the amount of the impairment loss, if any.

(e) Income taxes:
The Company follows the asset and liability method for accounting for income taxes. Under the asset and liability method, the change in the net future tax asset and liability is to be included in income. Future tax assets and liabilities are measured using enacted or substantially enacted tax rates expected to apply to taxable income in the years in which temporary differences are expected to be recovered or settled.

(f) Employee future benefits:
The Company has defined benefit pension plans covering some of its employees. The benefits are based on years of service and the employee's compensation. The Company also sponsors defined benefit life insurance, disability plans and medical benefits, for substantially all retirees and employees.

The Company accrues its obligations under employee benefit plans as the employees render the services necessary to earn pension and other employee future benefits.

The Company has adopted the following policies:

- The cost of pensions and other retirement benefits earned by employees is actuarially determined using the projected benefit method pro rated on service and management's best estimate of expected plan investment performance, salary escalation, retirement ages and expected health care costs.
- For the purpose of calculating the expected return on plan assets, those assets are valued at fair value.
- Past service costs from plan amendments are amortized on a straight-line basis over the average remaining service period of employees active at the date of the amendment.
- The excess of the net actuarial gain (loss) over 10% of the greater of the benefit obligation and the fair value of plan assets is amortized over the average remaining service period of active employees.

(g) Foreign currency translation:
Foreign currency transactions are translated using the temporal method. Gains or losses resulting from these translations are reflected in net earnings of the period. Foreign denominated assets and liabilities are translated at the rate of exchange in effect at the balance sheet date. Revenues and expenses are translated at the rate in effect on the dates they occur.

(h) Deferred financing charges:
Deferred financing charges reflect the cost to obtain new credit facilities and are amortized on a straight-line basis over the term of the related indebtedness.

(i) Revenue recognition:
Revenue is recognized at the time sugar products are shipped to customers. Provision is made for expected sales returns and allowances at the time of shipment.

(j) Use of estimates:
The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant areas requiring the use of management estimates are related to the valuation of inventories, the determination of recoverability of capital assets and the rates for depreciation and amortization. Actual results could differ from those estimates.

3
ACCOUNTS RECEIVABLE

(in thousands of dollars)	September 30, 2003	September 30, 2002
Trade	$25,415	$24,285
Receivable from commodity brokers	1,877	3,004
Other	771	10,724
	$28,063	$38,013

4
CAPITAL ASSETS

(in thousands of dollars)	September 30, 2003			September 30, 2002
	Cost	Accumulated depreciation and amortization	Net book value	Net book value
Land	$ 1,837	$ —	$ 1,837	$ 2,749
Buildings and improvements	24,457	1,137	23,320	23,553
Plant and equipment	92,424	9,262	83,162	87,626
Furniture and fixtures	2,486	780	1,706	1,541
Construction in progress	1,152	—	1,152	1,022
	$122,356	$11,179	$111,177	$116,491

5
OTHER ASSETS

(in thousands of dollars)	September 30, 2003	September 30, 2002
Deferred financing charges	$1,314	$1,377
Prepaid sales discount	307	333
Deferred pension costs	—	36
Other	2,533	415
	$4,154	$2,161

In 2003, $1,553,000 (2002 - $1,374,000) of deferred financing charges were amortized and included as part of depreciation and amortization in the consolidated statements of operations.

6
BANK OVERDRAFT AND REVOLVING CREDIT FACILITY

The Company has a revolving credit facility of an aggregate maximum of $50,000,000 from which the Company can borrow at prime rate and/or LIBOR rate plus 50 to 225 basis points based on achieving certain ratios. Certain assets of the Company have been pledged as security for the credit facility. The credit facility shall terminate on June 3, 2006.

7
DUE TO ROGERS SUGAR INCOME FUND

The amount due to Rogers Sugar Income Fund represents the interest accrued on the subordinated notes (see note 10).

8
EMPLOYEE FUTURE BENEFITS

The Company sponsors a defined pension plan for its employees, as well as health care benefits, medical plans and life insurance coverage.

8
EMPLOYEE FUTURE BENEFITS (CONTINUED)

The significant actuarial assumptions adopted in measuring the Company's accrued benefit obligations for the year ended September 30, 2003 and 2002 are as follows:

	2003		2002	
	Pension benefit plan	Other benefit plans	Pension benefit plan	Other benefit plans
Discount rate	6.00%	6.00%	6.50%	6.50%
Expected long-term rate of return on plan assets	7.00%	N/A	7.00%	N/A
Rate of compensation increase	3.50%	3.50%	4.00%	4.00%

The assumed health care cost trend rate as September 30, 2003 was 8.39% (2002 - 9.14%) decreasing uniformly to 3.89% (2002 - 3.89%) in 2010 and remaining at that level thereafter.

The Company's net benefit plan expense is as follows:

	2003		2002	
	Pension benefit plan	Other benefit plans	Pension benefit plan	Other benefit plans
Current service cost	$ 774	$160	$ 925	$ 99
Interest cost	2,835	430	4,016	425
Expected return on plan assets	(2,222)	—	(4,307)	—
Amortization of actuarial loss (gain)	422	(95)	1,623	(276)
Amortization of past service cost	56	—	416	—
Decrease in valuation allowance	—	—	(1,944)	—
Settlement loss	1,141	—	569	—
Special termination benefits	209	—	—	—
Net benefit plan expense	$3,215	$495	$1,298	$248

Information about the Company's defined benefit plans is as follows:

	2003		2002	
	Pension benefit plan	Other benefit plans	Pension benefit plan	Other benefit plans
Accrued benefit obligations:				
Balance at beginning of year	$ 59,461	$ 7,024	$ 67,278	$ 6,441
Current service cost	774	160	925	99
Interest cost	2,835	430	4,016	425
Benefits paid	(4,145)	(349)	(8,703)	(325)
Plan amendments	92	—	1,202	—
Actuarial loss	2,425	48	2,173	384
Obligations being settled	(20,608)	—	(16,688)	—
Special termination benefit distribution	209	—	6,565	—
Plan curtailment	—	—	2,209	—
Employee contributions	451	—	484	—
Balance at end of year	$ 41,494	$ 7,313	$ 59,461	$ 7,024
Plan assets:				
Fair value at beginning of year	$ 47,529	$ —	$ 79,737	$ —
Actual return on plan assets	3,704	—	(1,769)	—
Employer contributions	795	349	235	325
Employee contributions	451	—	484	—
Benefits paid	(4,145)	(349)	(8,703)	(325)
Settlement payments	(20,608)	—	(16,688)	—
Special termination benefit	—	—	(5,767)	—
Balance at end of year	$ 27,726	—	$ 47,529	—
Funded status - plan (deficit) surplus	$(13,768)	$(7,313)	$(11,932)	$(7,024)
Unamortized net actuarial losses	11,060	731	11,182	309
Unamortized past service costs	822	—	786	—
Accrued benefit (liability) asset	$ (1,886)	$(6,582)	$ 36	$(6,715)

8
EMPLOYEE FUTURE BENEFITS (CONTINUED)

In 2002, the Company and its salaried employees agreed to terminate existing arrangements under the Lantic Pension Plan for Salaried Employees in return for employees receiving lump-sum payments in exchange for their rights to receive specified pension benefits in the future. This transaction resulted in the Company recording a settlement gain of approximately $2,500,000, which was recorded as part of administration and selling in the consolidated statement of operations in fiscal 2002.

The Company's net benefit plan expense for the period of March 8, 2002 to September 30, 2002 is as follows:

(in thousands of dollars)	Pension benefit plan	Other benefit plans
Current service cost	$ 527	$ 57
Interest cost	2,346	244
Expected return on plan assets	$(2,516)	—
Amortization of actuarial loss	89	119
Amortization of past service cost	228	—
Change in valuation allowance	(351)	—
Net benefit plan expense	$ 323	$ 420

9
LONG-TERM DEBT

Long-term debt is comprised of the following:

(in thousands of dollars)	**September 30, 2003**	September 30, 2002
5.89% senior secured debentures (a)	**$65,000**	$ —
Term "A" loan (b)	—	65,135
Term "B" loan (b)	—	48,000
	65,000	113,135
Less current portion	—	12,638
	$65,000	$100,497

(a) On June 3, 2003, the Company completed a private placement of $65,000,000 of 5.89% senior secured debentures, due June 4, 2008 with BNY Trust Company of Canada, as trustee. The debentures bear interest at a rate of 5.89% per annum calculated and payable quarterly in arrears. Principal is payable in full on maturity. This facility provides for certain financial covenants to be met. The debentures are secured by a general security agreement on the assets of the Company and a deed of hypothec on present and future movable and present immovable property of the Company. An interest rate swap was entered into and subsequently unwound. The cost of the swap is being amortized over the life of the debenture resulting in an effective rate of 6.6%. The unamortized balance of the swap of $2,324,000 is included in Other Assets.

(b) The Term A and Term B loans set to expire on June 5, 2005 were fully repaid on June 2, 2003.

10
SUBORDINATED NOTES

The details of the subordinated notes due to Rogers Sugar Income Fund are as follows:

(in thousands of dollars)	2003	2002
Series "A" – Issued on corporate reorganization (note 1) bearing interest at 13.25%	**$155,850**	$155,850
Series "A" – Issued on March 8, 2002 and used to repay term loans, bearing interest at 13.25%	**35,000**	35,000
Series "B" – Issued on March 8, 2002 and used for working capital purposes, bearing interest at 10%	**10,000**	10,000
Series "C" – Issued on February 20, 2003 and used to repay term loans, bearing interest at 10%	**48,500**	—
	$249,350	$200,850

The subordinated notes are due on October 15, 2027.

11
INCOME TAXES

The provision for income taxes differs from the amount computed by applying the Canadian federal and provincial rates to earnings before provision for income taxes. The reasons for the difference and the related tax effects are as follows:

(in thousands of dollars)	2003	2002	Period of March 8, 2002 to September 30, 2002 (note 1)
(Loss) earnings before provision for income taxes	**$(12,776)**	$8,180	$1,791
Expected rate	**32%**	35%	35%
Expected (recovery) expense	**(4,088)**	2,863	627
Adjustments:			
Large corporation tax	**759**	240	140
Tax rate adjustment	**1,233**	—	—
Other differences	**598**	(383)	(316)
	2,590	(143)	(176)
Provision for income taxes	**$ (1,498)**	$2,720	$ 451

The future income tax assets (liabilities) comprise the following temporary differences:

	2003	2002
Current:		
Inventory	**$ (1,778)**	$ (2,482)
Long-term:		
Capital assets	**$(11,814)**	$(14,908)
Employee future benefits	**2,994**	2,295
Refinancing fees	**1,191**	1,910
Other	**152**	1,307
	$ (7,477)	$ (9,396)

No valuation allowance was recorded for the current and long-term future income tax assets.

12
SHARE CAPITAL

(in thousands of dollars)	2003	2002
Authorized:		
An unlimited number of common shares		
1 Class "C" special share		
Issued:		
1,000 common shares	**$146,118**	$146,118
1 Class "C" special share	**—**	—
	$146,118	$146,118

The Class C share is redeemable by the Company for $1 upon the termination of the Governance Agreement. The Class C share entitles the holder to elect five of the seven directors of the Company but has no other voting rights at any meetings of shareholders of the Company, except as may be required by law.

In 2002, an amount of $1,553,000 due to a related party was forgiven and was accounted for as an increase in contributed surplus.

13
RELATED PARTY TRANSACTIONS

Related party transactions are recorded at the amount of consideration established and agreed to by the related parties.

Transactions and balances from related parties are as follows:

(in thousands of dollars)	2003	2002	Period of March 8, 2002 to September 30, 2002 (note 1)
Rogers Sugar Ltd.:			
Management and outsourcing fee revenue	**$ 4,850**	$ 4,790	$ 2,763
Purchases	**4,357**	3,997	1,420
Sales	**977**	31	21
Accounts receivable	**58**	299	299
Accounts payable	**376**	260	260
Rogers Sugar Income Fund:			
Interest expense on subordinated notes	**29,251**	14,909	14,909

Management Agreement

The Company provides strategic management services to Rogers Sugar Ltd. ("Rogers"). The initial term of the Management Agreement, which may be terminated by Rogers under certain circumstances, is for 15 years ending October 8, 2012, renewable thereafter for successive five-year terms and provides for an annual fee of $300,000.

Services Outsourcing Agreement

The Company provides Rogers with selling, general and administrative services other than services relating to distribution cost. The initial term of the Outsourcing Agreement ending October 8, 2012, which may be terminated by Rogers under certain circumstances, is 15 years, renewable thereafter for successive five-year terms and provides for an annual fee of $4.1 million, adjusted for fluctuations in the consumer price index.

Administration Agreement

In 1997, the Company entered into an Administration Agreement with Rogers Sugar Income Fund ("RSIF"). Under the terms of the agreement, the Company is responsible for the administration and management of RSIF. Under the Administration Agreement, the Company earns a fee of $50,000 per annum. The agreement is still in place at the end of fiscal 2003.

14
FINANCIAL INSTRUMENTS

(a) Current assets and liabilities:
Fair value estimates are made as of a specific point in time, using available information about the financial instrument. These estimates are subjective in nature and often cannot be determined with precision.

The carrying value of financial instruments in current assets and liabilities approximates their fair values based on the short-term maturity of those instruments.

(b) Long-term debt and subordinated notes:
The carrying value of long-term debt approximates its fair value at the balance sheet date. The fair value of the long-term debt was calculated using the present value of future payments of principal and interest discounted at the current market rates of interest available to the Company for the same or similar debt instruments with the same remaining maturities. The fair value of the subordinated notes is not practicable to determine given the many factors, terms and conditions that would influence such a determination.

(c) Foreign exchange contracts:
The Company's activities which result in exposure to fluctuations in foreign currency exchange rates consist of the purchasing of raw sugar, the selling of refined sugar and the purchase of natural gas. The Company manages this exposure by creating offsetting positions through the use of financial instruments. These instruments include forward contracts, which are commitments to buy or sell at a future date, and may be settled in cash.

The credit risk associated with foreign exchange contracts arises from the possibility that a counterparty to a foreign exchange contract in which the Company has an unrealized gain fails to perform according to the terms of the contract. The credit risk is much less than the notional principal amount, being limited at any time to the change in foreign exchange rates attributable to the principal amount.

Forward foreign exchange contracts have maturities of less than two years and relate exclusively to U.S. currency. The counterparty to these contracts is a major Canadian financial institution. The Company does not anticipate any material adverse effect on its financial position resulting from its involvement in these types of contracts, nor does it anticipate non-performance by the counterparties.

The Company's foreign currency forward contracts by currency, as well as the unrealized gain or loss on such contracts relating to the purchase of raw sugar, the sale of refined sugar and the purchase of natural gas, at September 30, 2003 and 2002, are as follows:

(in thousands of dollars)	2003		2002	
Foreign currency contracts	**Forward contracts**	**Unrealized gain (loss)**	Forward contracts	Unrealized gain (loss)
	(US$)	**(CA$)**	(US$)	(CA$)
Purchases – US dollars	**$49,263**	**$(3,280)**	$91,763	$957
Sales – US dollars	**34,521**	**1,985**	88,498	(855)
		$(1,295)		$102

14
FINANCIAL INSTRUMENTS (CONTINUED)

(d) Future gas hedging program:
The Company established a hedging program to mitigate the effects of gas price changes on its operating margins and overall profitability. The Company also monitors its hedging positions and the credit ratings of its counterparties and does not anticipate losses due to counterparty non-performance. At September 30, 2003, the Company had hedged a portion of the estimated fiscal 2004 gas consumption and outstanding gas futures had an unrealized loss position of approximately $970,000 (2002 - unrealized gain of approximately $717,000).

(e) Credit risk:
The Company grants credit to its customers under the ordinary course of business. Concentrations of credit risk are limited due to the broad base of consumers and their dispersion across different market segments.

15
COMMITMENTS

The future annual minimum rental payments under existing operating leases are as follows:

2004	$470,000
2005	248,000
2006	164,000
2007	139,000
2008	42,000

16
COMPARATIVE FIGURES

Certain of the 2002 comparative figures have been reclassified to conform with the current year's presentation.

ROGERS SUGAR INCOME FUND

FUND INFORMATION

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